

<TRANSLATION FOR REFERENCE PURPOSES ONLY>

Securities Code No. 3382
May 1, 2019

To Our Shareholders,

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

CONVOCATION NOTICE OF THE 14TH ANNUAL SHAREHOLDERS' MEETING

You are invited to attend the 14th Annual Shareholders' Meeting of Seven & i Holdings Co., Ltd. (the "Company"), which will be held as indicated below.

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 22, 2019 (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 23, 2019 (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 14th fiscal year (from March 1, 2018 to February 28, 2019), 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 14th fiscal year (from March 1, 2018 to February 28, 2019).

Matters to be Resolved:

Item No. 1: Appropriation of retained earnings.

Item No. 2: Election of twelve (12) Directors.

Item No. 3: Election of one (1) Audit & Supervisory Board Member.

Item No. 4: Determination of amount and details of performance-based and stock-based compensation, etc. for Directors.

Item No. 5: Revision of compensation amount for Audit & Supervisory Board Members.

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>).

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 23, 2019 (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 22, 2019 (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 22, 2019 (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.mufig.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.mufig.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 14th fiscal year be paid as follows in consideration of the performance for the 14th 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 ¥47.50 per share of the Company's common stock.

In such a case, the aggregate amount of dividends shall be ¥42,018,100,668.

Therefore, the annual dividends for the 14th fiscal year, including interim dividends of ¥47.50, shall be ¥95 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 24, 2019.

Item No. 2: Election of twelve (12) Directors.

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

Shareholders are therefore requested to elect twelve (12) 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			
1	Ryuichi Isaka	Representative Director and President	Executive Officer and President	Reappointment	
2	Katsuhiro Goto	Representative Director and Vice President	Executive Officer and Vice President	Reappointment	
3	Junro Ito	Director	Managing Executive Officer	Reappointment	
4	Kimiyoshi Yamaguchi	Director	Executive Officer	Reappointment	
5	Shigeki Kimura		Executive Officer	New appointment	
6	Fumihiko Nagamatsu	Director		Reappointment	
7	Joseph M. DePinto	Director		Reappointment	
8	Yoshio Tsukio	Outside Director		Reappointment	Outside Independent
9	Kunio Ito	Outside Director		Reappointment	Outside Independent
10	Toshiro Yonemura	Outside Director		Reappointment	Outside Independent
11	Tetsuro Higashi	Outside Director		Reappointment	Outside Independent
12	Kazuko Rudy (Real name: Kazuko Kiriya)	Outside Audit & Supervisory Board Member		New appointment	Outside Independent

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: 10 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 broad knowledge of group management cultivated as a director of the Company and its Group companies, and the Company is aiming for maximization of the Group's corporate value. Because we would like him to utilize his knowledge for maximization of the Group's corporate value through 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	Katsuhiko Goto (December 20, 1953) * 14,640 shares <u>Reappointment</u> Term of office: 13 years and 8 months	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 (incumbent) (Important Concurrent Positions) * Director of Seven Bank, Ltd.
	[Reasons, etc. for Nomination as Candidate for Director] He has broad knowledge related to management administration cultivated as a director of the Company and its Group companies, and the Company is aiming for advancement of group functions and for implementation of the Digital Strategy, etc. Because we would like him to utilize his knowledge for advancement of group functions (integration of the Company's administrative divisions, aiming to provide high value-added services, and to reduce costs), and for the Digital Strategy, etc., as new strategies, 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
3	Junro Ito (June 14, 1958) * 3,173,003 shares <u>Reappointment</u> Term of office: 10 years and 0 months	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. (incumbent) Mar. 2018: General Manager of the Corporate Development Division of the Company (incumbent) (Important Concurrent Positions) * Director of Ito-Yokado Co., Ltd.
	[Reasons, etc. for Nomination as Candidate for Director] He has broad knowledge related to ESG (Environment, Social, Governance) cultivated as a director of the Company and its Group companies. Because we would like him to utilize his knowledge for the enhancement of corporate value including non-financial aspects, and for the smooth execution of group management, which the Company is aiming for, we would like to request his election as a Director.	
4	Kimiyoshi Yamaguchi (November 8, 1957) * 1,000 shares <u>Reappointment</u> Term of office: 2 years and 0 months	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) (Important Concurrent Positions) * Director of Sogo & Seibu Co., Ltd.
	[Reasons, etc. for Nomination as Candidate for Director] He has broad knowledge related to corporate communications and management information analysis cultivated as a director of the Company. Because we would like him to utilize his knowledge for activation of the Group companies' corporate communication etc., 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
5	Shigeki Kimura (March 16, 1962) * 5,000 shares <u>New appointment</u>	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 (incumbent) Senior Officer of the Corporate Development Department of the Company Mar. 2019: General Manager of the Corporate Personnel Planning Division of the Company (incumbent) Director of Seven-Eleven Japan Co., Ltd. (incumbent) (Important Concurrent Positions) * Director of Seven-Eleven Japan Co., Ltd.
	[Reasons, etc. for Nomination as Candidate for Director] He has broad knowledge related to management administration and personnel management cultivated as an executive officer of the Company. Because we would like him to utilize his knowledge for the Group companies' personnel strategy and reinforcement of the personnel development system, etc., we would like to request his election as a Director.	
6	Fumihiko Nagamatsu (January 3, 1957) * 14,500 shares <u>Reappointment</u> Term of office: 1 year and 0 months	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) (Important Concurrent Positions) * Representative Director and President of Seven-Eleven Japan Co., Ltd.
	[Reasons, etc. for Nomination as Candidate for Director] He has broad knowledge related to business management and franchise business cultivated as a director of the Company and its Group companies. Because we would like him to utilize his knowledge for advancement of group functions and pursuit of Group synergies, which the Company is aiming for, 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
7	Joseph M. DePinto (November 3, 1962) * 6,000 shares <u>Reappointment</u> Term of office: 4 years and 0 months	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.
	[Reasons, etc. for Nomination as Candidate for Director] He has broad knowledge of franchise business cultivated as a director of our American Group companies. Because we would like him to utilize his knowledge for providing advice to the Company's Board of Directors from an international perspective and for promotion of global management of the Company, we would like to request his election as a Director.	
8	Yoshio Tsukio (April 26, 1942) * 0 shares <u>Reappointment</u> Outside Director <u>Independent Director</u> Term of office: 5 years and 0 months	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
	[Reasons, etc. for Nomination as Candidate for Outside Director] He has knowledge and experience from his long term work as a specialist in media policy. Because we would like him to utilize his broad high level knowledge and experience, etc. for our company management, we would like to request his election as an Outside 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
9	Kunio Ito (December 13, 1951) * 0 shares Reappointment Outside Director Independent Director Term of office: 5 years and 0 months	Apr. 1992: Professor, Faculty of Commerce and Management, Hitotsubashi University Aug. 2002: Dean, Graduate School of Commerce and Management, Faculty of Commerce and Management, Hitotsubashi University Feb. 2004: Associate Chancellor & Director, Hitotsubashi University June 2005: Outside Director of Akebono Brake Industry Co., Ltd. (incumbent) Dec. 2006: Professor, Graduate School of Commerce and Management, Hitotsubashi University 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 June 2012: Outside Director of Sumitomo Chemical Company, Limited June 2013: Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. (incumbent) May 2014: Outside Director of the Company (incumbent) June 2014: Outside Director of Toray Industries, Inc. (incumbent) Jan. 2015: Chief Financial Officer (CFO) and Head of Education Research Center of Hitotsubashi University (incumbent) Apr. 2015: Adjunct Professor, Graduate School of Commerce and Management, Hitotsubashi University Specially Appointed Professor, Chuo Graduate School of Strategic Management, Chuo University (incumbent) Mar. 2016: Chair of the Nomination and Compensation Committee of the Company (incumbent) Apr. 2018: Adjunct Professor, Graduate School of Business Administration, Hitotsubashi University (incumbent) (Important Concurrent Position) * Adjunct Professor, Graduate School of Business Administration, Hitotsubashi University * Specially Appointed Professor, Chuo Graduate School of Strategic Management, Chuo University * Outside Director of Akebono Brake Industry Co., Ltd. * Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. * Outside Director of Toray Industries, Inc. [Reasons, etc. for Nomination as Candidate for Outside Director] He has technical knowledge of accounting and management, etc. from his long term work as a professor. Because we would like him to utilize his abundant experience as an outside director of other companies and his appropriate supervisory functions, etc. for our company management, we would like to request his election as an Outside 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
10	Toshiro Yonemura (April 26, 1951) * 0 shares Reappointment Outside Director Independent Director Term of office: 5 years and 0 months	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
	[Reasons, etc. for Nomination as Candidate for Outside Director] He has worked consecutively at such important positions as Superintendent General, Tokyo Metropolitan Police Department and Deputy Chief Cabinet Secretary for Crisis Management, etc. Because we would like him to utilize his broad high level experience and insight, etc. for our company management, we would like to request his election as an Outside Director.	
11	Tetsuro Higashi (August 28, 1949) * 0 shares Reappointment Outside Director Independent Director Term of office: 1 year and 0 months	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 (incumbent) May 2018: Outside Director of the Company (incumbent) (Important Concurrent Position) * Corporate Director, Corporate Advisor of Tokyo Electron Limited
	[Reasons, etc. for Nomination as Candidate for Outside Director] He has worked consecutively at such important positions as Representative Director, Chairman and President, etc. of Tokyo Electron Limited. Because we would like him to utilize his broad high level experience and insight, etc. as a corporate manager for our company management, we would like to request his election as an Outside 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
12	Kazuko Rudy (Real name: Kazuko Kiriya) (October 10, 1948) * 0 shares New appointment Outside Director Independent Director	Sept. 1972: Joined the Accounting Audit Office, University of Chicago 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 (incumbent) June 2015: Outside Director of TOPPAN FORMS CO., LTD. (incumbent) Apr. 2016: MBA course Visiting Professor, Graduate School of Management, Ritsumeikan University (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 abundant experience and knowledge as a specialist in marketing theory. Because we would like her to utilize her broad high level knowledge and experience, etc. for our company management, we would like to request her election as an Outside Director.	

(Notes)

- 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.
- “New appointment” indicates new candidates for Director, and “Reappointment” indicates reappointed candidates for Director.
- “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.
- “Term of office” refers to the term of office as of the conclusion of this Annual Shareholders’ Meeting.
- There is no special relationship of interest between each of the above candidates and the Company.
- 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 of the Company or the specified relation business associates of the Company.
- Ms. Kazuko Rudy is currently an Outside Audit & Supervisory Board Member of the Company, but will resign from her position upon the conclusion of this Annual Shareholders’ Meeting. The term of office of Ms. Kazuko Rudy as Outside Audit & Supervisory Board Member as of the conclusion of this Annual Shareholders’ Meeting will be 5 years and 0 months.
- In November 2015, improper accounting practices were exposed at Akebono Brake Industry Co., Ltd., where Mr. Kunio Ito has 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 has provided advice to prevent a reoccurrence after the matter in question was exposed; thus, he has 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. The Company has also concluded an agreement with current Outside Audit & Supervisory Board Member Kazuko Rudy as per Article 427, Paragraph 1 of the Companies Act, limiting her liability for compensation for damage under Article 423, Paragraph 1 of the Companies Act. The agreement limits the amount of her liability for compensation for damage to the minimum legally stipulated amounts. If the new appointment of Ms. Kazuko Rudy for Outside Director is approved, the Company intends to renew the liability limitation agreement with her as an Outside Director.
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. As for Ms. Kazuko Rudy, the Company has designated her as an Independent Director who is an Outside Audit & Supervisory Board Member and submitted a report to the Tokyo Stock Exchange, and intends to designate her as an Independent Director who is an Outside Director and submit a report to the said exchange.
11. The brief personal history, etc. of each of the above candidates is as of April 8, 2019.

Item No. 3: Election of one (1) Audit & Supervisory Board Member.

Current Audit & Supervisory Board Member Kazuko Rudy will resign from her position as an Audit & Supervisory Board Member upon the conclusion of this Annual Shareholders' Meeting. Shareholders are therefore requested to elect one (1) Audit & Supervisory Board Member.

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 Audit & Supervisory Board's prior consent was obtained for the submission of this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth) * Number of shares of the Company owned	Brief personal history, position, and important concurrent positions	
Kaori Matsuhashi (Real name: Kaori Hosoya) (June 7, 1969) * 0 shares New appointment Outside Audit & Supervisory Board Member Independent Audit & Supervisory Board Member	Apr. 2006:	Registered as a Certified Public Accountant
	July 2006:	Joined Asset Investors, Inc.
	Nov. 2007:	General Manager of the Corporate Planning Division of Asset Investors, Inc.
	Mar. 2008:	Joined MK Capital Management Corporation Executive Officer of MK Capital Management Corporation
	May 2009:	Representative Director of Luminous Consulting Co., Ltd. (incumbent) Representative of Kaori Matsuhashi Certified Public Accountant Office (incumbent)
	Jan. 2014:	External Auditor of NTS Holdings Company, Limited (incumbent)
	June 2014:	External Director of Spiber Inc. (incumbent)
	June 2017:	Outside Audit & Supervisory Board Member of Kakaku.com, Inc. (incumbent)
	(Important Concurrent Positions) * Certified Public Accountant * Representative Director of Luminous Consulting Co., Ltd. * Outside Audit & Supervisory Board Member of Kakaku.com, Inc.	
	[Reasons, etc. for Nomination as Candidate for Outside Audit & Supervisory Board Member] She has abundant experience and technical knowledge related to finance, accounting and management administration as a certified public accountant. Because we would like her to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of mid- to long-term corporate value, and respond to social trust by utilizing her insight, etc. cultivated through her career, we would like to request her election as an Outside Audit & Supervisory Board Member.	

(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 Audit & Supervisory Board Member.
3. "Outside Audit & Supervisory Board Member" indicates candidates for Outside Audit & Supervisory Board Member and "Independent Audit & Supervisory Board Member" indicates those candidates for Audit & Supervisory Board Member who are independent officers as stipulated by the Tokyo Stock Exchange.
4. There is no special relationship of interest between the above candidate and the Company.
5. The above candidate satisfies the requirements for nomination for the office of Outside Audit & Supervisory Board Member. In addition, she is neither a spouse nor relative within the third degree of relationship, etc., of the

business administrators of the Company or the specified relation business associates of the Company.

6. The Company has concluded an agreement with each of the 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. If the new appointment of the above candidate is approved, the Company intends to conclude such liability limitation agreement with her.
7. The Company intends to designate the above candidate as an Independent Audit & Supervisory Board Member in accordance with the rules of the Tokyo Stock Exchange, and accordingly intends to submit a report to the Tokyo Stock Exchange. In addition, the above candidate satisfies the independence standards for outside officers established by the Company.
8. The brief personal history, etc. of the above candidate is as of April 8, 2019.

Item No. 4: Determination of amount and details of performance-based and stock-based compensation, etc. for Directors.

1. Reasons for the proposal and reasons such compensation has been deemed appropriate

Compensation for the Company's Directors had consisted of "fixed compensation," "bonuses" and "stock options," as a result of having resolved at the 1st Annual Shareholders' Meeting held on May 25, 2006, that Directors' compensation shall not exceed ¥1 billion per year (however, not including employee salaries paid to Directors who serve concurrently as employees), and having resolved at the 3rd Annual Shareholders' Meeting held on May 22, 2008, that the total issue value for stock options for stock-based compensation share subscription rights for Directors awarded under their compensation limit shall amount to an upper limit of ¥200 million per year. We hereby request approval for the introduction of a new stock-based compensation system (the "New System"), separate from such compensation upper limit, under which the Company shares and an amount of money equivalent to the converted value of the Company shares (collectively, the "Company Shares") are to be delivered and provided ("Delivered" or "Delivery," as the case may be) to the Company's Directors (excluding Outside Directors; the same applies hereinafter with respect to this proposal).

Subject to approval of this proposal, the Company is not to grant any new share subscription rights as stock options for stock-based compensation. The current Directors are to waive the share subscription rights granted to them as stock options which have not been exercised on the condition of commencement of the New System and other conditions. To transition from the stock options, points equivalent to the number of shares to be acquired upon the exercise of the waived share subscription rights are to be granted under the New System. However, those currently serving as Director who have lost their position as either Director or Executive Officer of the Company or its subsidiaries after conclusion of this Annual Shareholders' Meeting are to be entitled to exercise the share subscription rights they have already been granted, only for ten (10) days from the day following the date on which they lost their position, and no points are to be granted under the New System.

The introduction of the New System has been deliberated upon by the Nomination and Compensation Committee, of which the committee's chair and half of its membership are Independent Outside Directors. Whereas compensation of Directors is to consist of "fixed compensation," "bonuses" and "stock-based compensation" upon the New System's introduction, we deem introduction of the New System to be warranted given that it is designed for the purposes of further clarifying the link between the compensation, etc., of Directors to our business performance and stock price, enhancing the motivation of Directors to contribute to the improvement of medium- and long-term corporate value, and sharing interests with our shareholders.

There are to be seven (7) Directors eligible for the New System, subject to approval of Item No. 2 as drafted.

2. Amount and details of compensation, etc. under the New System

(1) Overview of the New System

The New System is a stock-based compensation system under which the Company Shares are acquired through a trust using funds contributed by the Company, and whereby the Company Shares are delivered to Directors through the trust. (Details are as provided for in (2) below and thereafter.)

(i) Individuals eligible for Delivery of the Company Shares subject to this proposal	The Company's Directors (excluding Outside Directors)
(ii) Effect of the Company shares subject to this proposal on the total number of shares issued	
Maximum amount of money to be contributed by the Company (As provided for in (2) below)	• Total of ¥600 million covering three (3) fiscal years • However, a total of ¥800 million covering four (4) fiscal years, with respect to the period of coverage commencing from the fiscal year ending February 29, 2020; there is an additional contribution with an upper limit of ¥900 million for the transition from stock options
Upper limit to the number of Company shares to be Delivered to Directors (including the shares to be converted) (As provided for in (3) below)	• There is to be an upper limit of 40,000 points with respect to the total number of points to be granted to Directors each fiscal year; 40,000 points (one (1) point = one (1) share of the Company's common stock) is equivalent to approximately 0.0045% of the Company's total number of issued shares (as of February 28, 2019, excluding treasury stock) • Up to 160,000 points are to be separately granted to transition from stock options only with respect to the fiscal year ending February 29, 2020 • The Company shares are to be acquired from the stock market or the Company (disposition of treasury stock); however, the trust established in 2019 (set forth in (2) below) does not bring about dilution because the shares are to be acquired from the stock market
(iii) Details of conditions for achieving business performance targets (As provided for in (3) below)	• Varies between 0% and 200% depending on the achievement level of business performance targets and other factors • The indicators for evaluating the achievement level of business performance targets include consolidated operating income and consolidated ROE, etc.
(iv) Timing with respect to Delivery of the Company Shares to Directors (As provided for in (4) below)	Upon retirement

(2) Maximum amount of money to be contributed by the Company

The New System's period of coverage (the "Covered Period") will be three years that the Company designated as the period for evaluating the achievement level of medium- and long-term business performance targets. The Company is to contribute trust money^(*1) up to a total of ¥600 million as compensation during the three (3) fiscal years, and is to establish a trust (the "Trust") for the stock-based compensation during the three-year trust period (this includes extension of the trust period as described in paragraph 4 of this section (2); the same applies hereinafter), whereby the beneficiaries are the Directors who have satisfied the beneficiary requirements.

However, the initial Covered Period is to cover four (4) fiscal years, comprising the fiscal year ending February 29, 2020, which is the remaining period of the Company's current Medium-Term Management Plan, plus the consecutive three (3) fiscal years designated as the period for evaluating the achievement level of medium- and long-term business performance targets of the Company. The Company is accordingly to establish the Trust with a four-year trust period, and is to make contributions of trust money in an amount up to ¥900 million as funds to acquire shares to be delivered in order to transition from stock options, in addition to trust money up to a total of ¥800 million as compensation for the four (4) fiscal years.

Pursuant to the instructions of the trust administrator, the Trust is to acquire the Company shares from the stock market or the Company (disposition of treasury stock; acquired from the stock market with respect to the initial Covered Period), using trust money. During the Covered Period, the Company is to grant points to Directors as stipulated in (3) below, and is to accordingly conduct Delivery of Company Shares equivalent to such points from the Trust.

In lieu of establishing the Trust anew, the Trust may continue to be used by modifying the trust agreement and entrusting additional funds at the expiration of the Covered Period of the Trust. In such case, the trust period is to be extended for a further three (3) years, and the Company is to make additional contributions of trust money within a total of ¥600 million. Meanwhile, the Company is to continue granting points and conducting Delivery of the Company Shares to Directors during the extended trust period. However, if such additional contributions are to be made, if there are any Company shares (excluding the Company shares equivalent to points granted to Directors that are yet to be Delivered) and money remaining in the trust assets (the "Residual Shares") as of the last day of the trust period prior to the extension, the sum of the amount of Residual Shares and additional trust money to be contributed is to be within ¥600 million.

(*1) The amount of trust money is to include not only funds for the Trust to acquire shares during the trust period, but also trust fees and trust expenses.

(3) Calculation method and upper limit to the number of Company Shares to be Delivered to Directors

The number of Company Shares to be Delivered to Directors is to be determined using the number of accumulated points with respect to points granted^(*2) on the basis of factors such as positions and levels of achievement relative to business performance targets for each fiscal year during the Covered Period.

One (1) point is to be equivalent to one (1) share of the Company's common stock, and if the Company shares in the Trust increase or decrease due to a share split or share consolidation, etc., the Company is to adjust the number of Company shares Delivered in proportion to the increase or decrease.

(*2) Standard points granted based on position vary within a range of 0% to 200%, depending on the level of achievement of targets such as consolidated operating income and consolidated ROE, etc., during each relevant fiscal year. Non-financial indicators such as CO₂ emissions may be added to the indicators for evaluating business performance.

The upper limit to the number of points granted to Directors is to be 40,000 points per fiscal year. As such, the upper limit with respect to the total number of Company shares to be acquired by the Trust is to be the number of shares equivalent to the maximum number of points to be granted per fiscal year multiplied by three (3), the number of years of the trust period (120,000 shares per trust period).

However, up to 160,000 points are to be separately granted to transition from stock options in the fiscal year ending February 29, 2020. As such, the upper limit with respect to the total number of Company shares to be acquired by the initially established Trust is to be the number of shares equivalent to the sum of the total number of points to be granted for each fiscal year multiplied by four (4), the number of years of the initial trust period, plus the number of points to be granted in order to transition from stock options (320,000 shares). The upper limit with respect to the number of acquired shares is to be established in reference to the latest stock prices and other such benchmarks, based on the upper limit of the trust money described in (2) above.

(4) Method and timing with respect to Delivery of the Company Shares to Directors

Upon retirement (for reasons other than death), a Director who satisfies the beneficiary requirements is to receive Delivery of the Company Shares calculated based on (3) above, by following the procedures prescribed for settlement of the beneficiary rights. At that time, such Directors are to receive delivery of the Company shares in a number equivalent to a certain ratio of the number of accumulated points (shares less than one unit are to be rounded up). Meanwhile, Company shares in a number equivalent to the remaining accumulated points are to be converted into cash within the Trust, and the Directors are to receive money equivalent to the amount converted to cash from the Trust.

If a Director who satisfies the beneficiary requirements passes away during the trust period, the Company shares that correspond to the accumulated number of points granted for shares delivered at the time of his/her death are to be converted entirely into cash within the Trust, and the heir of said Director is to receive money equivalent to the amount converted to cash from the Trust.

(5) Voting rights pertaining to Company shares held by the Trust

Voting rights pertaining to the Company shares held by the Trust are not to be exercised during the trust period to ensure the neutrality of the Company's management.

(6) Other details of the New System

Other details regarding the New System are to be determined by the Board of Directors whenever there are matters that involve establishing the Trust, modifying the trust agreement and entrusting additional funds to the Trust.

Item No. 5: Revision of compensation amount for Audit & Supervisory Board Members.

The current compensation amount for the Company's Audit & Supervisory Board Members is not more than ¥100 million per year, as approved at the 1st Annual Shareholders' Meeting held on May 25, 2006. However, we propose making a change to the compensation amount for Audit & Supervisory Board Members to an amount not more than ¥200 million per year, in consideration of factors such as the subsequent shifting of economic circumstances and the need to further upgrade the Company's audit system.

The Company currently has five (5) Audit & Supervisory Board Members. There are to be five (5) Audit & Supervisory Board Members upon conclusion of this Annual Shareholders' Meeting, subject to approval of Item No. 3 as drafted.

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.

Attached Documents

Business Report (March 1, 2018 to February 28, 2019)

1. Items Regarding Current Status of Corporate Group

(1) Business progress and results

During the 14th fiscal year, the Japanese economy underwent a gentle recovery, but overseas, the situation was affected by such issues as the emergence of geopolitical risks.

Also, in terms of consumer spending, with the outlook remaining uncertain, customers have become even more selective in their purchasing.

In this setting, in the 14th fiscal year, the Group studied various changes in the social environment and customer psychology to work on developing high value-added products and products that match regional tastes, and improve its customer service.

As regards the Group's Seven Premium private-brand products and Group companies' original products, we worked to address increasingly diversifying customer needs which involved improving quality further and proposing new value by promoting the development of new products while also repeatedly implementing proactive renewals of existing products. Sales of Seven Premium products were ¥1,413.0 billion in the 14th fiscal year (up 7.0% YOY).

Consequently, our consolidated results in the 14th fiscal year were as follows.

Revenues from operations were ¥6,791.2 billion (up 12.5% YOY), operating income came to ¥411.5 billion (up 5.1% YOY), ordinary income was ¥406.5 billion (up 4.0% YOY), and net income attributable to owners of parent reached ¥203.0 billion (up 12.1% YOY), making 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., and 7-Eleven, Inc., were ¥12,018.0 billion (up 8.8% YOY). In addition, due to foreign exchange rate fluctuations during the 14th fiscal year, revenues from operations and operating income decreased by ¥43.9 billion and ¥1.3 billion, respectively.

Overview of business by segment

(i) Domestic convenience store operations

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. introduced new store layouts that better reflect the current composition of sales, and made improvements in that regard. Seven-Eleven Japan Co., Ltd. also took steps that involved launching new products that deliver value as well as continuously improving product quality. As a result, the sales at existing stores for the 14th fiscal year were higher than those in the previous fiscal year, and total store sales, comprising both corporate and franchised store sales, were ¥4,898.8 billion (up 4.7% YOY). Furthermore, despite the impact of factors such as a 1% special discount on Seven-Eleven franchise royalty fees implemented from September 2017, operating income in domestic convenience store operations was ¥245.0 billion (up 0.4% YOY).

(ii) Overseas convenience store operations

In North America, 7-Eleven, Inc. closed some existing stores and other 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, the merchandise sales at existing stores in the United States on a local currency basis in the 14th fiscal year were higher than those in the previous fiscal year, recording operating income of ¥111.0 billion (up 22.3% YOY). Total store sales, comprising both corporate and franchised store sales, were ¥3,993.2 billion (up 27.4% YOY) due to growth in sales of merchandise and gasoline attributable to the acquisition of some stores of Sunoco LP, which was completed in January 2018.

(iii) Superstore operations

Superstore Ito-Yokado Co., Ltd. focused on initiatives such as optimizing directly operated sales floor space for apparel and household goods and enhancing operations involving food, as part of its business structural reforms, but its sales at existing stores for the 14th fiscal year fell below those for the previous fiscal year. Nevertheless, operating income was ¥4.7 billion (up 53.0% YOY) due to improvement in profitability associated with better gross margins and optimization of selling, general and administrative expenses.

Food supermarket York-Benimaru Co., Ltd. strengthened sales of fresh food, and expanded its lineup of prepared foods in response to demand for ready-to-serve and easy meals through its subsidiary Life Foods Co., Ltd. However, sales at existing stores in the 14th fiscal year were lower than those in the previous fiscal year, and operating income was ¥12.8 billion (down 9.0% YOY).

(iv) Department store operations

Sogo & Seibu Co., Ltd. promoted our strategy of concentrating management resources in large stores in the Tokyo Metropolitan area as part of the business structural reforms. This involved undertaking sales floor renewal in the Sogo Yokohama store in the field of beauty products where cosmetics and other items are regarded as a strength. However, sales at existing stores in the 14th fiscal year were lower than those in the previous fiscal year, and operating income was ¥3.2 billion (down 35.7% YOY).

Sogo & Seibu Co., Ltd. received a cease and desist order and a payment order for surcharge from the Japan Fair Trade Commission for violation of Article 3 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, in connection with orders received for uniforms used by ALL NIPPON AIRWAYS CO., LTD., on July 12, 2018, and in connection with raising of shipping charges on October 3, 2018. In addition, on October 18, 2018, Sogo & Seibu Co., Ltd. received a cease and desist order from the said Commission for violation of Article 3 of the said Act on orders received for uniforms used by NTT DOCOMO, INC. We would like to offer our sincere apologies for causing considerable concern to our shareholders. The Group takes the details of this cease and desist order extremely seriously and is further tightening the processes to ensure

compliance with laws and regulations and bringing together all efforts to prevent recurrence of such an incident.

(v) Financial services operations

As of the end of the 14th fiscal year, the number of ATMs of Seven Bank, Ltd. installed in Japan had increased to 25,083 units (up 745 ATMs YOY). Meanwhile, the average daily transactions per ATM was 92.4 transactions (down 1.8 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 their transaction fee structures and diversifying settlement methods. Cash and bank deposits of Seven Bank, Ltd. were ¥775.4 billion, which includes cash to be held in ATMs.

Financial services operations recorded impairment loss related to overseas business in the second quarter of the 14th fiscal year.

(vi) Specialty store operations

Operating income of AKACHAN HONPO CO., LTD., THE LOFT CO., LTD., Seven & i Food Systems Co., Ltd., etc. exceeded that of the previous fiscal year, as a result of them having implemented merchandise strategy to address customer needs. At Nissen Holdings Co., Ltd., operating loss decreased in comparison with the previous fiscal year as a result of it having continued to place focus on promoting business structural reforms.

In the first quarter of the 14th fiscal year, as part of its business structural reforms, Nissen Holdings Co., Ltd. transferred all shares of its subsidiary SHADDY CO., LTD.

(vii) Eliminations and corporate

Operating loss increased to ¥14.5 billion by ¥1.3 billion in comparison to the previous fiscal year largely as a result of having recorded expenses pertaining to the Group's CRM (Customer Relationship Management) strategies which went into full effect from the second quarter of the 14th 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	955,443	+2.9%	246,721	+0.6%
Overseas convenience stores	2,821,053	+42.4%	92,266	+16.7%
Superstores	1,902,507	+0.1%	21,173	-0.4%
Department stores	592,100	-10.0%	3,737	-30.4%
Financial services	215,007	+5.9%	52,874	+6.4%
Specialty stores	355,474	-14.7%	6,680	—
Others	23,720	+0.8%	2,659	-27.6%
Eliminations and corporate	(74,093)	—	(14,515)	—
Total	6,791,215	+12.5%	411,596	+5.1%

(Notes)

1. Group sales, which include the chain store sales of Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc., were ¥12,018.0 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 14th fiscal year were ¥539.3 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	115,525
Overseas convenience stores	288,221
Superstores	61,462
Department stores	16,955
Financial services	34,918
Specialty stores	9,157
Others	2,931
Corporate (shared)	10,157
Total	539,328

(Notes)

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

(3) Trends in assets and profit/loss in the 14th fiscal year and the most recent three fiscal years

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

Item	11th fiscal year (March 1, 2015 to February 29, 2016)	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)
Revenues from operations	Millions of yen 6,045,704	Millions of yen 5,835,689	Millions of yen 6,037,815	Millions of yen 6,791,215
Net income attributable to owners of parent	Millions of yen 160,930	Millions of yen 96,750	Millions of yen 181,150	Millions of yen 203,004
Net income per share	Yen 182.02	Yen 109.42	Yen 204.80	Yen 229.50
Total assets	Millions of yen 5,441,691	Millions of yen 5,508,888	Millions of yen 5,494,950	Millions of yen 5,795,302
Net assets	Millions of yen 2,505,182	Millions of yen 2,475,806	Millions of yen 2,575,342	Millions of yen 2,672,486
Net assets per share	Yen 2,683.11	Yen 2,641.40	Yen 2,744.08	Yen 2,850.42

(Note)

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).

(4) Corporate reorganization measures, etc.

(i) Transfer of all shares of SHADDY CO., LTD. by Nissen Holdings Co., Ltd.

On April 27, 2018, as part of its business structural reforms, Nissen Holdings Co., Ltd. transferred all shares of its subsidiary, SHADDY CO., LTD.

(ii) Establishment of Seven Pay Co., Ltd.

On June 14, 2018, Seven Financial Service Co., Ltd. and Seven Bank, Ltd. established Seven Pay Co., Ltd. as part of the Group's digital strategy, for the purpose of providing new settlement services that enable payment by smartphones. Of the 6,000 total issued shares of Seven Pay Co., Ltd. upon its establishment, Seven Financial Service Co., Ltd. holds 4,200 shares (70.0% of voting rights), and Seven Bank, Ltd. holds 1,800 shares (30.0% of voting rights). Seven Pay Co., Ltd. has been established as a consolidated subsidiary of the Company.

On October 25, 2018, Seven Pay Co., Ltd. conducted an issuance of shares for subscription, of which the Company newly acquired 80,000 shares of Seven Pay Co., Ltd., while Seven Financial Service Co., Ltd. and Seven Bank, Ltd. each made additional acquisitions amounting to 55,800 shares and 58,200 shares, respectively. As a result, the number of shares of Seven Pay Co., Ltd. held by the Company, Seven Financial Service Co., Ltd. and Seven Bank, Ltd. amounts to 80,000 shares (40.0% of voting rights), 60,000 shares (30.0% of voting rights), and 60,000 shares (30.0% of voting rights), respectively.

(5) Status of major subsidiaries (as of February 28, 2019)**(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.	¥30,679 million	45.8
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 14th 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	¥1,817,506 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 135 consolidated subsidiaries and 24 equity-method affiliates.

(6) Issues to be resolved

The Company has been striving to maximize the Group's corporate value by enhancing governance and pursuing Group synergies under the basic policy, "Trust and Sincere" and "Responding to Change while Strengthening Fundamentals." In October 2016, the Group announced its Medium-Term Management Plan, 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. However, as any recovery from the delay in the plan's progress has been deemed difficult to achieve given the current harsh business environment, the Company has adjusted the operating income target for the fiscal year ending February 29, 2020 to ¥420 billion. Furthermore, with regard to important measures in the aforementioned plan other than the numerical targets, the Company continues to work to achieve improvement of corporate value over the medium and long term and sustainable growth while maintaining "strengthening of growth business" and "improvement of structural reform business" as the core strategies of the plan.

The Group's operating environment is subject to significant changes at an increasingly rapid pace. In Japan, customer lifestyles and values are becoming increasingly diverse as the social structure undergoes changes, such as the aging population, decreasing household sizes, an increasing number of dual-income households, and the emergence of various services associated with technological innovation. We will also face increasingly diverse customers and employees amid the emergence of new consumption and labor markets, particularly given the scenario of yearly increases in the number of foreign visitors to Japan and new programs being created with respect to hiring foreign workers.

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, the rising jobs-to-applicants ratio, 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 these current 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.

(i) Delving deeper into respective strategies to generate Group synergies

The Company is currently promoting three Group strategies—"digital strategy," "finance strategy," and "procurement strategy"—with the aim of further generating Group synergies. Going forward, we will enhance the quality and quantity of our customer contact points by extending mobile apps, making use of data in partnership with external entities, and introducing "Seven Pay," new settlement services that are linked to apps. We will also find solutions to challenges, such as food loss and labor shortages, by eliminating excess, waste, and unevenness in the merchandise procurement and logistics process, working closely with our business partners. Through these activities, we will further delve into the three Group strategies.

(ii) 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. To address these issues head-on, the Company has set medium- to long-term targets and has otherwise been taking steps to steadily reduce its environmental

impact, working in partnership with its customers, communities, business partners, and other stakeholders.

In addition, through dialogue with its stakeholders, the Company has identified “five material issues”^{*} as social issues that are particularly relevant to the Group’s business fields. The Company is working to improve the Group’s corporate value while finding solutions to social challenges, by pursuing initiatives that include creating “shopping support services” that draw on store networks as well as logistic and information systems, developing products that place consideration on customer health, and recycling in partnership with its customers.

^{*}Five material issues

- Providing social infrastructure for an aging society and declining population
- Providing safety and reliability through products and stores
- Non-wasteful usage of products, ingredients and energy
- Supporting the active role of women, youth and seniors across the Group and in society
- Building an ethical society and improving resource sustainability together with customers and business partners

(iii) Flexibly reviewing business models so that they better accord with structural changes in society

Ever since their founding, the Group’s respective operating companies have been enhancing convenience in people’s lives by providing them with products and services, while staying closely attuned to regional customers’ life stages and settings. Nevertheless, we have entered an era where it is necessary for the Group to swiftly address challenges by acutely recognizing signs of the transformation of social structures and changes in our customers more than ever before, amid a scenario of substantial shifts occurring with respect to various aspects of the external environment as well as consumer lifestyles and values.

Therefore, in all of our business fields, we will take a flexible approach to continually reviewing our business models in consideration of prevailing changes in social structures as well as customer needs and values, along with future changes, rather than complacently adhering to traditional business models. In addition, the Company will further strengthen its approach to management across the entire Group by engaging in more extensive dialogue with the management team of its operating companies, thereby achieving sustainable growth.

(iv) 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 improve 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 15th fiscal year, although the Japanese economy is expected to continue its moderate recovery trend, the future trend of consumer spending is expected to remain uncertain, particularly given the consumption tax hike slated to take effect in October 2019. Furthermore, the impact of uncertainties in overseas economies and fluctuations in financial and capital markets should 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, the declining number of retail stores, and the increasing number of working women, as growth opportunities, and it will persist in its efforts to offer products that deliver new forms of value and to pursue ongoing quality improvement. Seven-Eleven Japan Co., Ltd. is working to achieve seamless settlement by adding a settlement function to the Seven-Eleven app in July 2019, which will provide greater convenience and further promote use of the app. This is expected to lead to improvements in sales promotion efficiency and to increase the precision of our CRM strategy.

On the other hand, Seven-Eleven Japan Co., Ltd. is likely to encounter ongoing challenges with respect to Japan's employment environment, particularly given the increasing minimum wage, rising jobs-to-applicants ratio, and widening scope of people eligible for social insurance. In that environment, Seven-Eleven Japan Co., Ltd. will more swiftly develop new store layouts that better match customer needs while actively working to enhance the quality of customer service through improvement of store employee efficiency. Seven-Eleven Japan Co., Ltd. will also aim to achieve expansion and balance, as well as further evolution of its stores into "close-by, convenient stores" that assume the important role of providing social infrastructure, working in partnership with franchised store owners.

(ii) Overseas convenience store operations

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

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

(iii) Superstore operations

Ito-Yokado Co., Ltd. will steadily implement business structural reforms particularly with respect to its stores in the Tokyo metropolitan area based on the Medium-Term Management Plan announced in October 2016, including reducing directly-operated sales floor space, inviting desirable tenants to attract more customers, and enhancing its strengths in food item sales. Ito-Yokado Co., Ltd. will also continue working to improve profitability through planned closures of six unprofitable stores during the fiscal year ending February 29, 2020.

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 meet 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 continue promoting efforts to concentrate its management resources in highly profitable flagship stores in the Tokyo metropolitan area, while making efforts to arrange the sales floor layout of other stores in a manner tailored to regional characteristics, to achieve efficient operations.

(v) Financial services operations

In the financial services operations, we will focus on electronic money and credit card operations, in addition to continued upgrading of our ATM services. We also plan to offer a new settlement service that uses smartphones with the aim of building a cashless platform.

(vi) Specialty store operations

In the 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. Nissen Holdings Co., Ltd. will also pursue further improvement of profitability as its business structural reforms are progressing.

(7) Scope of principal businesses (as of February 28, 2019)

The Group is centered on the retail industry and comprises 160 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.* ¹ SHAN DONG ZHONG DI CONVENIENCE CO., LTD.* ¹
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.* ¹ DAIICHI CO., LTD.* ¹
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 (10 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.* ² FCTI, Inc. TORANOTEC Ltd.* ¹ * ³

Business segments	Names of major Group companies
Specialty stores (19 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.* ⁴ MARRON STYLE Co., Ltd.* ⁵ Francfranc Corporation* ¹ Tower Records Japan Inc.* ¹ Nissen Credit Service Co., Ltd.* ¹
Others (13 companies)	Seven & i Create Link., Ltd. SEVEN & i Publishing Co., Ltd. SEVEN & i Asset Management Co., Ltd. Yatsugatake Kogen Lodge Co., Ltd. Seven & i Net Media Co., Ltd. Seven Culture Network Co., Ltd. Terube Ltd. I ing Co., Ltd.* ¹ PIA Corporation* ¹
Corporate (1 company)	SEVEN & i Financial Center Co., Ltd.

(Notes)

*1. 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.

*2. On June 14, 2018, Seven Pay Co., Ltd. was established as a consolidated subsidiary of the Company.

*3. On January 31, 2019, TORANOTEC Ltd. became an equity-method affiliate of the Company as a result of the share acquisition.

*4. On September 4, 2018, SCORE Co., Ltd. was established as a consolidated subsidiary of the Company.

*5. On February 1, 2019, MARRON STYLE Co., Ltd. became a consolidated subsidiary of the Company as a result of the share acquisition.

(8) Principal business locations (as of February 28, 2019)

(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: 377 stores

(Overseas convenience stores)

7-Eleven, Inc.

- Head office: Texas, U.S.A.
- Corporate stores: 2,360 stores

(Note)

The number of corporate stores for 7-Eleven, Inc., is the number of stores as of the end of December 2018.

(Superstores)

Ito-Yokado Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 159 stores

York-Benimaru Co., Ltd.

- Head office: 18-2, 2-chome, Asahi, Koriyama, Fukushima
- Corporate stores: 225 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: 714 stores

Nissen Holdings Co., Ltd.

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

(9) Status of employees (as of February 28, 2019)

(i) Status of employees of the corporate group

Business segment	Number of employees	Change from the previous fiscal year-end
Domestic convenience stores	11,085 employees	245 employees (increase)
Overseas convenience stores	19,994 employees	2,117 employees (increase)
Superstores	15,783 employees	134 employees (decrease)
Department stores	2,832 employees	65 employees (decrease)
Financial services	1,631 employees	108 employees (increase)
Specialty stores	5,622 employees	688 employees (decrease)
Others	652 employees	53 employees (increase)
Corporate (shared)	566 employees	77 employees (decrease)
Total	58,165 employees	1,559 employees (increase)

(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 86,463 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 overseas convenience store operations was the result of 7-Eleven, Inc.'s acquisition of businesses. Moreover, the decrease in the number of employees in specialty store operations was the result of Nissen Holdings Co., Ltd. transferring all of the shares of the subsidiary SHADDY CO., LTD. as part of business structural reforms.

(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	415 employees	57 employees (decrease)	45 years 10 months	20 years 5 months
Females	151 employees	20 employees (decrease)	40 years 11 months	17 years 5 months
Total or average	566 employees	77 employees (decrease)	44 years 6 months	19 years 7 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 24 part-time employees (monthly average based on a 163-hour working month).
3. The decrease in the number of employees of the Company was the result of reorganization within the Group.

(10) Status of major lenders (as of February 28, 2019)

Lender	Amount borrowed (Millions of yen)
Sumitomo Mitsui Banking Corporation	191,730
MUFG Bank, Ltd.	187,364
Mizuho Bank, Ltd.	85,756

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

None.

2. Items Regarding Shares (as of February 28, 2019)

(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 1,850,390 treasury stock.

(3) Number of shareholders: 76,786

(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)	64,028	7.2
Japan Trustee Services Bank, Ltd. (Trust account)	45,790	5.2
SMBC Nikko Securities Inc.	22,364	2.5
Nippon Life Insurance Company	17,672	2.0
Masatoshi Ito	16,799	1.9
MITSUI & CO., LTD.	16,222	1.8
Japan Trustee Services Bank, Ltd. (Trust account 5)	16,201	1.8
State Street Bank West Client - Treaty 505234	13,248	1.5
JP Morgan Chase Bank 385151	11,862	1.3

(Note)

Percentage of shares held is calculated using the total number of shares, excluding treasury stock.

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 28, 2019)

Name of share subscription rights issue		1st share subscription rights issue	2nd share subscription rights issue
Date of resolution for issue		July 8, 2008	July 8, 2008
Number of share subscription rights		159* ¹	958* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		15,900* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	95,800* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥307,000 per subscription right	No payment is required in exchange for the share subscription rights
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 May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038
Exercise conditions		* ³	* ³
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 18 Class and number of corresponding shares: 1,800 common stock Number of Directors holding the share subscription rights: 1	Number of share subscription rights: 71 Class and number of corresponding shares: 7,100 common stock Number of Directors holding the share subscription rights: 5

Name of share subscription rights issue		3rd share subscription rights issue	4th share subscription rights issue
Date of resolution for issue		May 28, 2009	May 28, 2009
Number of share subscription rights		240* ¹	1,297* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		24,000* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	129,700* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥204,500 per subscription right	No payment is required in exchange for the share subscription rights
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, 2010 to June 15, 2029	From February 28, 2010 to June 15, 2039
Exercise conditions		* ⁴	* ⁴
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 41 Class and number of corresponding shares: 4,100 common stock Number of Directors holding the share subscription rights: 2	Number of share subscription rights: 89 Class and number of corresponding shares: 8,900 common stock Number of Directors holding the share subscription rights: 4

Name of share subscription rights issue		5th share subscription rights issue	6th share subscription rights issue
Date of resolution for issue		May 27, 2010	June 15, 2010
Number of share subscription rights		211 * ¹	1,144* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		21,100* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	114,400* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥185,000 per subscription right	No payment is required in exchange for the share subscription rights
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, 2011 to June 16, 2030	From February 28, 2011 to July 2, 2040
Exercise conditions		* ⁴	* ⁴
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 38 Class and number of corresponding shares: 3,800 common stock Number of Directors holding the share subscription rights: 2	Number of share subscription rights: 82 Class and number of corresponding shares: 8,200 common stock Number of Directors holding the share subscription rights: 4

Name of share subscription rights issue		7th share subscription rights issue	8th share subscription rights issue
Date of resolution for issue		May 26, 2011	May 26, 2011
Number of share subscription rights		259* ¹	1,280* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		25,900* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	128,000* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥188,900 per subscription right	No payment is required in exchange for the share subscription rights
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, 2012 to June 15, 2031	From February 29, 2012 to June 15, 2041
Exercise conditions		* ⁴	* ⁴
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 47 Class and number of corresponding shares: 4,700 common stock Number of Directors holding the share subscription rights: 2	Number of share subscription rights: 102 Class and number of corresponding shares: 10,200 common stock Number of Directors holding the share subscription rights: 5

Name of share subscription rights issue		9th share subscription rights issue	10th share subscription rights issue
Date of resolution for issue		June 5, 2012	June 5, 2012
Number of share subscription rights		270* ¹	1,261* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		27,000* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	126,100* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥216,400 per subscription right	No payment is required in exchange for the share subscription rights
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, 2013 to July 6, 2032	From February 28, 2013 to July 6, 2042
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 45 Class and number of corresponding shares: 4,500 common stock Number of Directors holding the share subscription rights: 2	Number of share subscription rights: 100 Class and number of corresponding shares: 10,000 common stock Number of Directors holding the share subscription rights: 5

Name of share subscription rights issue		11th share subscription rights issue	12th share subscription rights issue
Date of resolution for issue		July 4, 2013	July 4, 2013
Number of share subscription rights		249* ¹	1,105* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		24,900* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	110,500* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥345,700 per subscription right	No payment is required in exchange for the share subscription rights
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, 2014 to August 7, 2033	From February 28, 2014 to August 7, 2043
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 41 Class and number of corresponding shares: 4,100 common stock Number of Directors holding the share subscription rights: 2	Number of share subscription rights: 94 Class and number of corresponding shares: 9,400 common stock Number of Directors holding the share subscription rights: 5

Name of share subscription rights issue		13th share subscription rights issue	14th share subscription rights issue
Date of resolution for issue		July 3, 2014	July 3, 2014
Number of share subscription rights		240* ¹	1,028* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		24,000* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	102,800* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥388,500 per subscription right	No payment is required in exchange for the share subscription rights
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, 2015 to August 6, 2034	From February 28, 2015 to August 6, 2044
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 38 Class and number of corresponding shares: 3,800 common stock Number of Directors holding the share subscription rights: 2	Number of share subscription rights: 94 Class and number of corresponding shares: 9,400 common stock Number of Directors holding the share subscription rights: 6

Name of share subscription rights issue		15th share subscription rights issue	16th share subscription rights issue
Date of resolution for issue		July 7, 2015	July 7, 2015
Number of share subscription rights		281* ¹	1,018* ²
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)	101,800* ² 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	No payment is required in exchange for the share subscription rights
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 29, 2016 to August 5, 2045
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 68 Class and number of corresponding shares: 6,800 common stock Number of Directors holding the share subscription rights: 3	Number of share subscription rights: 96 Class and number of corresponding shares: 9,600 common stock Number of Directors holding the share subscription rights: 6

Name of share subscription rights issue		17th share subscription rights issue	18th share subscription rights issue
Date of resolution for issue		July 7, 2016	July 7, 2016
Number of share subscription rights		165* ¹	868* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		16,500* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	86,800* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥361,300 per subscription right	No payment is required in exchange for the share subscription rights
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, 2017 to August 3, 2036	From February 28, 2017 to August 3, 2046
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 124 Class and number of corresponding shares: 12,400 common stock Number of Directors holding the share subscription rights: 4	Number of share subscription rights: 57 Class and number of corresponding shares: 5,700 common stock Number of Directors holding the share subscription rights: 4

Name of share subscription rights issue		19th share subscription rights issue	20th share subscription rights issue
Date of resolution for issue		July 6, 2017	July 6, 2017
Number of share subscription rights		161* ¹	1,107* ²
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)	110,700* ² 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	No payment is required in exchange for the share subscription rights
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, 2018 to August 4, 2047
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 161 Class and number of corresponding shares: 16,100 common stock Number of Directors holding the share subscription rights: 6	Number of share subscription rights: 44 Class and number of corresponding shares: 4,400 common stock Number of Directors holding the share subscription rights: 2

Name of share subscription rights issue		21st share subscription rights issue	22nd share subscription rights issue
Date of resolution for issue		July 5, 2018	July 5, 2018
Number of share subscription rights		182* ¹	1,111* ²
Class and number of shares to be acquired upon exercise of the share subscription rights		18,200* ¹ common stock of the Company (with one share subscription right corresponding to 100 shares)	111,100* ² common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥380,600 per subscription right	No payment is required in exchange for the share subscription rights
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, 2019 to August 3, 2038	From February 28, 2019 to August 3, 2048
Exercise conditions		* ⁴	* ⁴
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 182 Class and number of corresponding shares: 18,200 common stock Number of Directors holding the share subscription rights: 7	Number of share subscription rights: 34 Class and number of corresponding shares: 3,400 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. The total number of share subscription rights at the time of granting them to executive officers of the Company and Directors and executive officers of the Company's subsidiaries is shown.

*3. 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) 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 (iii) below.
- (iii) 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.

*4. 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 14th fiscal year as compensation for the performance of their duties

Name of share subscription rights issue		22nd share subscription rights issue
Status of grants to employees, etc.	Employees of the Company (excluding those concurrently serving as Directors or Audit & Supervisory Board Members of the Company)	Number of share subscription rights: 193 Class and number of corresponding shares: 19,300 common stock Number of recipients: 15
	Directors, Audit & Supervisory Board Members, and employees of subsidiaries of the Company (excluding those concurrently serving as Directors, Audit & Supervisory Board Members, or employees of the Company)	Number of share subscription rights: 884 Class and number of corresponding shares: 88,400 common stock Number of recipients: 96

(Note)

The overview of the details of the 22nd share subscription rights issue is as shown above in “(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 28, 2019).”

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

(1) Directors and Audit & Supervisory Board Members (as of February 28, 2019)

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 General Manager of the Corporate Digital Strategy & Planning Division 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.
Director	Katsutane Aihara	Senior Officer of IT Strategy and Planning Department of the Company
Director	Kimiyoshi Yamaguchi	Head of the President Office of the Company Director of Sogo & Seibu Co., Ltd.
Director	Fumihiko Nagamatsu	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.
Director	Kazuki Furuya	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 Akebono Brake Industry Co., Ltd. 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	Corporate Director, Corporate Advisor of Tokyo Electron Limited

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 York Mart Co., Ltd. Audit & Supervisory Board Member of Sogo & Seibu Co., Ltd.
Standing Audit & Supervisory Board Member	Yoshitake Taniguchi	
Audit & Supervisory Board Member	Kazuko Rudy (Real name: Kazuko Kiriya)	Representative Director of WITAN ACTEN Co., Ltd. Outside Director of TOPPAN FORMS CO., LTD.
Audit & Supervisory Board Member	Kazuhiro Hara	Certified Public Accountant Certified Tax Accountant
Audit & Supervisory Board Member	Mitsuko Inamasu	Attorney at Law

(Notes)

- 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.
- Director Fumihiko Nagamatsu resigned from his position as a Director of Seven & i Food Systems Co., Ltd. on February 28, 2019.
- Director Kunio Ito retired from his position as an Outside Director of Sumitomo Chemical Company, Limited on June 21, 2018.
- Directors Yoshio Tsukio, Kunio Ito, Toshiro Yonemura, and Tetsuro Higashi are Outside Directors.
- Audit & Supervisory Board Members Kazuko Rudy, Kazuhiro Hara, and Mitsuko Inamasu are Outside Audit & Supervisory Board Members.
- Standing Audit & Supervisory Board Member Yoshitake Taniguchi and Audit & Supervisory Board Member Kazuhiro Hara 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.
- 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.
- 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.

9. Executive officers of the Company as of February 28, 2019 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	Katsutane Aihara
Executive Officer	Kimiyoshi Yamaguchi
Executive Officer	Fumihiko Nagamatsu
Managing Executive Officer	Tomihiko Saegusa
Managing Executive Officer	Takuji Hayashi
Managing Executive Officer	Yukio Mafune
Executive Officer	Yoshimichi Maruyama
Executive Officer	Hisataka Noguchi
Executive Officer	Minoru Matsumoto
Executive Officer	Shinobu Matsumoto
Executive Officer	Shigeki Kimura
Executive Officer	Shinya Ishii
Executive Officer	Hidekazu Nakamura
Executive Officer	Nobutomo Teshima
Executive Officer	Kazuyo Sohda
Executive Officer	Ken Shimizu
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

The Company has established a basic policy on compensation of Directors and Audit & Supervisory Board Members by resolution of the Board of Directors as follows.

The Company emphasizes the compensation system for Directors and Audit & Supervisory Board Members as one of the mechanisms for appropriate risk-taking and will continue to consider the design of a specific compensation system to tailor it more appropriately in light of future trends in legal systems and society.

Furthermore, the Company will also improve the performance evaluation system within the Group to ensure that compensation of the Representative Directors of the operating companies serves as a sound incentive for sustainable growth.

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

1. Basic approach to compensation of Directors and Audit & Supervisory Board Members

In regard to the compensation of Directors and Audit & Supervisory Board Members, the Company emphasizes compensation that is linked with financial results and corporate value. To further increase the motivation and morale to contribute to improved financial results and increased corporate value continuously over the medium to long term, and to secure highly capable human resources who will support enhanced corporate governance through appropriate oversight and auditing of operational execution, the Company provides compensation levels and systems commensurate with responsibilities.

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

The amount of compensation of Directors and Audit & Supervisory Board Members is decided within the following compensation limit determined at the Shareholders' Meeting.

○Directors: 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)

Upper limit of the total issue value for stock options for stock-based compensation share subscription rights for Directors awarded under their compensation limit: ¥200 million per year

(Resolved at the 3rd Annual Shareholders' Meeting held on May 22, 2008)

○Audit & Supervisory Board Members: Not more than ¥100 million per year

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

3. Nomination and Compensation Committee

The Company has established 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 a half of its members are Independent Outside Directors.

4. Compensation of Directors

○System for compensation of Directors

The basic components of compensation of Directors are fixed monthly compensation and performance-based compensation (bonuses and stock options for stock-based compensation). The compensation system is based on the position of each Director.

The compensation of Directors does not include amounts paid as salaries for employees to Directors who serve concurrently as employees.

The compensation of Outside Directors, who are independent from business execution, consists only of fixed monthly compensation. Outside Directors are not paid performance-based compensation (bonuses and stock options for stock-based compensation).

○Method of determining compensation of Directors

Through deliberations by the Nomination and Compensation Committee, the amount of compensation of Directors is determined in accordance with the evaluation of each Director's function and degree of contribution, as well as with the Group's results.

5. Compensation of Audit & Supervisory Board Members

○System for compensation of Audit & Supervisory Board Members

With an emphasis on further strengthening the independence of Audit & Supervisory Board Members from management, the compensation of Audit & Supervisory Board Members consists only of fixed monthly compensation. Audit & Supervisory Board Members are not paid performance-based compensation (bonuses and stock options for stock-based compensation).

○Method of determining compensation of Audit & Supervisory Board Members

The compensation of Audit & Supervisory Board Members is determined through discussions by the Audit & Supervisory Board Members.

6. Abolition of severance payments to Directors and Audit & Supervisory Board Members

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

(ii) Aggregate amount of compensation, etc. regarding the 14th 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 options for stock-based compensation
Directors (excluding Outside Directors)	10	307	182	55	69
Outside Directors	5	50	50	—	—
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	62	62	—	—
Outside Audit & Supervisory Board Members	5	36	36	—	—

(Notes)

1. The above includes three (3) Directors (including one (1) Outside Director) and three (3) Audit & Supervisory Board Members (including two (2) Outside Audit & Supervisory Board Members) who retired from their positions upon completing their terms of office at the conclusion of the 13th Annual Shareholders' Meeting held on May 24, 2018.
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) and that the annual amount of compensation paid to Audit & Supervisory Board Members shall not exceed ¥100 million.
4. Stock options for stock-based compensation were issued to seven (7) Directors (excluding Outside Directors).

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

During the 14th fiscal year, the aggregate amount of compensation, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members for their services as executives from subsidiaries of the Company at which they hold concurrent executive positions is less than ¥1 million.

(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 14th 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	13/13	100.0%
Kunio Ito	13/13	100.0%
Toshiro Yonemura	12/13	92.3%
Tetsuro Higashi	10/10	100.0%

Mr. Tetsuro Higashi was newly elected to serve as Director at the 13th Annual Shareholders' Meeting held on May 24, 2018, subsequent to the conclusion of which meetings of the Board of Directors were held on 10 occasions.

These Outside Directors gave advice and made proposals to ensure the validity and appropriateness of the Board's decision making, primarily by expressing their opinions. Mr. Yoshio Tsukio expressed opinions mainly from the perspective of media policy, Mr. Kunio Ito from the perspective of accounting and management theory, Mr. Toshiro Yonemura from the perspective of crisis management, and Mr. Tetsuro Higashi from the perspective of broad high level experience as a corporate manager.

(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	12/13	92.3%	24/25	96.0%
Kazuhiro Hara	10/10	100.0%	19/19	100.0%
Mitsuko Inamasu	10/10	100.0%	19/19	100.0%

Mr. Kazuhiro Hara and Ms. Mitsuko Inamasu were newly elected to serve as Audit & Supervisory Board Members at the 13th Annual Shareholders' Meeting held on May 24, 2018, subsequent to the conclusion of which meetings of the Board of Directors and meetings of the Audit & Supervisory Board were held on 10 and 19 occasions, respectively.

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

- 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 14th fiscal year	759
Total amount of monies and other financial benefits to be paid to the accounting auditor by the Company and its subsidiaries	909

(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 14th 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) 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 and preparing the comfort letter associated with the issuance of U.S. dollar denominated unsecured straight bonds, neither of which services are included in the scope of services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-auditing services).

(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 reporting systems; promote fair trade; and disseminate the Corporate Action Guidelines and the guidelines of each company. In these ways, compliance shall be further enhanced.
- (ii) The Company and its Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.
- (iii) The Company's internal auditing division, which is independent from operating divisions, will internally audit and confirm the status of the maintenance and operation of the compliance systems of all Group companies.

- (iv) The Company's and its Group companies' Audit & Supervisory Board Members will ensure that the execution of duties by their respective companies' Directors is compliant with laws, regulations, and the Articles of Incorporation and work to raise the effectiveness of the supervisory function.

(2) Systems for the storage and control of information related to the execution of duties by the Company's Directors and systems for reporting to the Company related to the matters concerning the execution of duties by the subsidiaries' Directors

- (i) In accordance with laws, regulations, and the Information Control Regulations, the Company and its Group companies shall properly produce, store, and manage documents for which production and storage are legally required, such as minutes of Shareholders' Meetings, minutes of Board of Directors' meetings (including electromagnetic records; hereafter the same), circular decision-making documents (*ringisho*), and other documents and information necessary to secure appropriate operational execution.
- (ii) The Company and its Group companies shall appoint an information management supervisor at each company to be responsible for supervising management of business information and also controlling planning, development and facilitation of initiatives related to the information management. The information management supervisor of the Company shall be then responsible for business information management of the overall Group by setting the Company's Information Management Committee as the core function for the purpose, ensuring enhanced effectiveness of timely and accurate information disclosure by the function responsible for comprehensively collecting and disclosing important information, and integrated information management in view of the safe management of such important information as trade secrets and personal information. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the Audit & Supervisory Board Members.
- (iii) Directors and employees of the Company and its Group companies shall report to the information management supervisor of the Company where any important matter relating to each Group company arises.

(3) The Company's and its subsidiaries' regulations and systems for loss risk management

- (i) In accordance with the "basic rules for risk management," the Company and its Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies.
- (ii) In regard to risk management, a system for periodic reporting to the Board of Directors and Audit & Supervisory Board Members shall be established, maintained, and utilized. The Board of Directors, Directors, and people responsible for operating divisions shall conduct sufficient analysis and evaluation of risks associated with operational execution, and improvement measures shall be implemented rapidly.
- (iii) In the case where a business experiences a major disruption, a serious incident or accident, or a large-scale disaster, etc. to minimize damage to the Company and all Group companies when risk events occur, a Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

(4) The Company's and its subsidiaries' systems for ensuring the efficiency of the execution of duties by Directors

- (i) The details of the decision-making authority of the Directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the regulations of decision-making authority, etc. In this way, the Company and its Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.
- (ii) To secure the sustained growth of the Company, the Company's Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as periodic reports from the Company's Directors and people responsible for operating divisions, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.
- (iii) The Company's Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Company's Board of Directors shall be held or resolutions of the Company's Board of Directors shall be adopted through documents. Rapid decision making will be implemented and efficient administrative execution will be promoted. The Company shall comply with the Articles of Incorporation, Rules of the Board of Directors, etc. of the Company concerning specific operations of the Board of Directors.

(5) The Company's systems for ensuring the appropriateness of financial reporting

- (i) In order to ensure the Company and its Group companies are able to provide shareholders, investors, creditors, and other stakeholders with highly reliable, timely financial reports in compliance with laws and regulations, the Company and its Group companies shall build, develop, and appropriately operate internal control systems that ensure appropriate accounting procedures and financial reporting, in accordance with the relevant rules, such as rules on establishing internal controls for financial reporting.
- (ii) The Company's internal auditing division, which is independent from operating divisions, shall check and assess the effectiveness of the development and operational status of internal controls for the financial reporting of the Company and its Group companies.
- (iii) Directors, Audit & Supervisory Board Members, and the accounting auditor shall appropriately exchange information about matters recognized as highly likely to have a significant effect on financial standing.

(6) Matters related to the provision of support staff for the Company's Audit & Supervisory Board Members when so requested

The Company shall provide full-time staff to support Audit & Supervisory Board Members.

(7) Matters related to the independence from the Company's Directors of the support staff for the Company's Audit & Supervisory Board Members and securing effectiveness of instructions

The selection (including subsequent replacements) of support staff to work exclusively for the Audit & Supervisory Board Members shall be subject to the approval of the Audit & Supervisory Board Members. In addition, the support staff shall comply with the Employment Rules of the Company. However, the Audit & Supervisory Board Members shall have the authority to provide directions and orders to the support staff and personnel matters such as working conditions and

disciplinary actions shall be implemented upon prior consultation with the Audit & Supervisory Board Members.

(8) Systems for reporting to the Company's Audit & Supervisory Board Members

(i) Systems for Directors and employees of the Company to report to the Audit & Supervisory Board Members of the Company

When matters that could cause significant damage to the Company, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation, etc. committed by a Director or an employee are found, Directors and employees of the Company shall report them to the Audit & Supervisory Board Members of the Company pursuant to the predetermined procedures.

(ii) Systems for Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries, or persons who have received reporting from these people to report to the Audit & Supervisory Board Members of the Company

When matters that could cause significant damage to the Group companies, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation, etc. in the Group companies are found, Directors, Audit & Supervisory Board Members and employees of the Group companies shall report them to the Audit & Supervisory Board Members of the Company pursuant to the predetermined procedures.

(iii) Systems for reporting to the Audit & Supervisory Board Members of the Company through an internal reporting system

Directors and employees of the Company as well as Directors, Audit & Supervisory Board Members and employees of the Group companies may use an internal reporting system established by the Company at any time when acts constituting a violation of laws and regulations, social norms, internal rules or the like are found in the operations of the Company and the Group companies, and the secretariat operating the internal reporting system shall provide reports to the Audit & Supervisory Board Members of the Company concerning the content of the reports and the operation of the internal reporting system, pursuant to the internal rules.

(9) Systems for ensuring that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made

The Company and the Group companies shall take appropriate measures such as establishing provisions in their internal rules to ensure that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made.

(10) Matters concerning policies for processing prepayment or repayment of costs incurred in relation to execution of duties of the Audit & Supervisory Board Members of the Company and other processing of costs or liabilities incurred in relation to execution of duties thereof

The Company shall bear the costs incurred in relation to the execution of duties by the Audit & Supervisory Board Members.

(11) Other systems for ensuring that the Company's Audit & Supervisory Board Members can conduct their activities effectively

(i) The Company's Audit & Supervisory Board Members shall meet regularly with the Representative Director, and exchange opinions concerning important audit matters.

- (ii) The Company's Audit & Supervisory Board Members shall maintain close contact with the Company's internal auditing division, and may request the division to conduct inspections when necessary.
- (iii) The Company's Audit & Supervisory Board Members shall meet regularly with the Audit & Supervisory Board Members of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.
- (iv) The Company's Audit & Supervisory Board Members may consult with the accounting auditor and lawyers as needed, and the Company shall bear all of the costs of such consultation.

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 4 Independent Outside Directors / 12 men and 0 women) 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 20 members (19 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 13 meetings during the 14th 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 reporting 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 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 relevant to the Company and its Group companies.

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

During the 14th fiscal year, the Company has revised its basic rules for risk management to reflect changes that the Company made to the risk categories and risk quantification criteria in response to internal and external environmental changes. In order to improve the effectiveness of risk management, the Company has carried out efforts to further strengthen risk management of the entire Group such as assisting the execution of risk evaluation, analysis and mitigation measures at each Group company by the Company’s various departments in charge of risk management and control.

●Information Management Committee

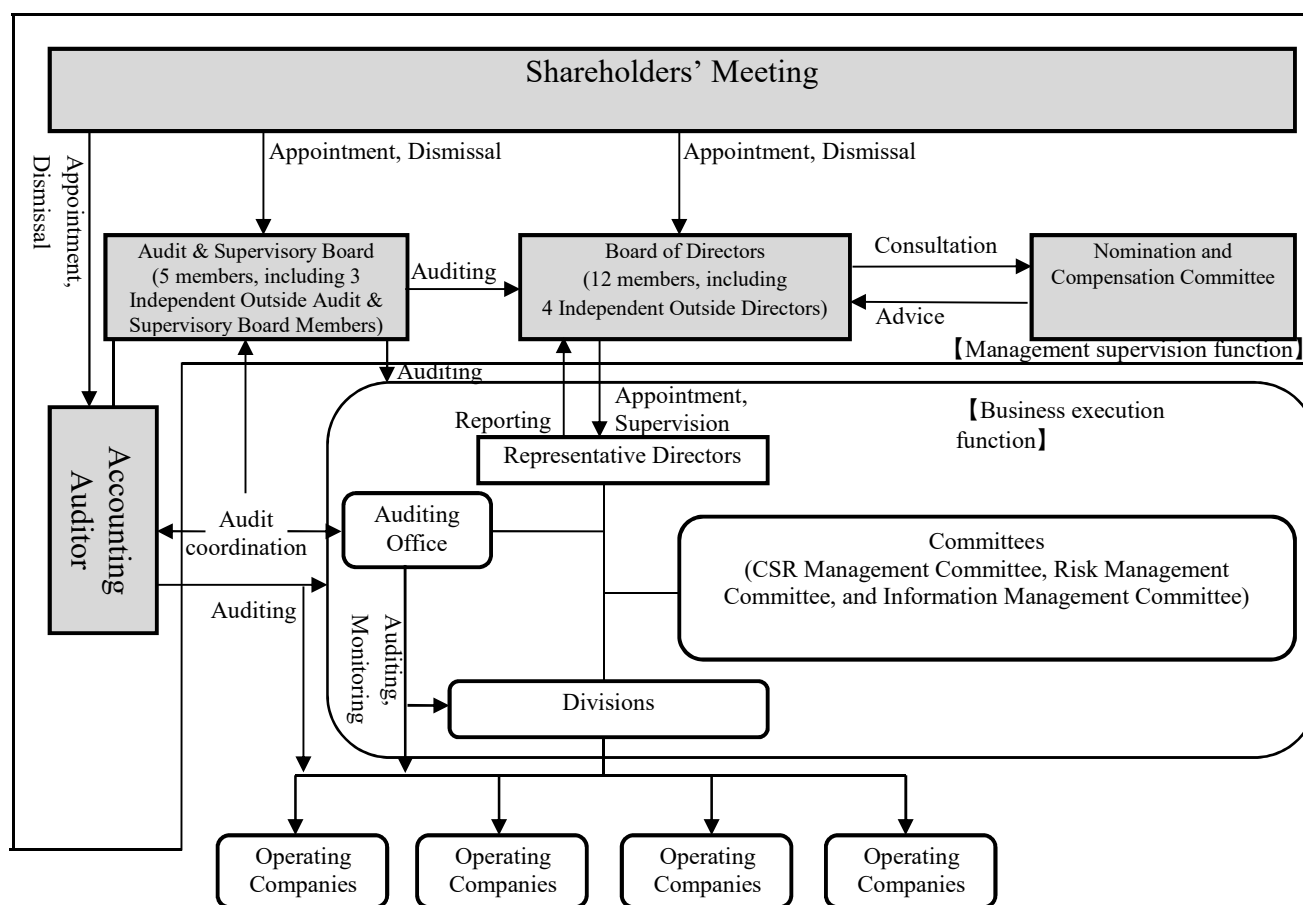
The Information Management Committee is in charge of initiatives to strengthen corporate governance and information security based on gathering and managing information.

During the 14th 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.

Furthermore, in order to address heightened social awareness toward personal information protection and assure the safety and peace-of-mind of customers who use the Group's integrated EC site "omni7" and applications developed by each operating company of the Group, the business sites within the Group that handle customers' personal information have acquired the international information security management systems (the ISMS) certification (ISO 27001), and the committee works to strengthen information security. In addition, the committee formulated information security standards to be achieved by the Group, and has taken steps to further bolster information security by promoting the deployment of the PDCA cycle at Group companies based on methods of the ISMS certification.

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 28, 2019)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	2,353,042	Current liabilities	1,992,795
Cash and bank deposits	1,314,564	Notes and accounts payable, trade	411,602
Notes and accounts receivable-trade	336,070	Short-term loans	143,160
Trade accounts receivable-financial services	101,490	Current portion of bonds	50,000
Merchandise and finished goods	178,178	Current portion of long-term loans	106,688
Work in process	60	Income taxes payable	42,642
Raw materials and supplies	2,781	Accrued expenses	128,802
Prepaid expenses	55,867	Deposits received	174,043
ATM-related temporary payments	95,694	ATM-related temporary advances	43,530
Deferred income taxes	26,582	Allowance for sales promotion expenses	19,467
Other	247,497	Allowance for bonuses to employees	13,829
Allowance for doubtful accounts	(5,747)	Allowance for bonuses to Directors and Audit & Supervisory Board Members	364
Non-current assets	3,442,159	Allowance for loss on future collection of gift certificates	1,296
Property and equipment	2,118,630	Provision for sales returns	98
Buildings and structures	954,093	Deposits received in banking business	588,395
Furniture, fixtures and equipment	306,321	Other	268,873
Vehicles	10,277	Non-current liabilities	1,130,020
Land	751,616	Bonds	361,914
Lease assets	6,858	Long-term loans	443,425
Construction in progress	89,463	Deferred income taxes	44,132
Intangible assets	608,487	Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	925
Goodwill	371,969	Allowance for stock payments	159
Software	85,475	Net defined benefit liability	7,534
Other	151,043	Deposits received from tenants and franchised stores	53,145
Investments and other assets	715,040	Asset retirement obligations	85,971
Investments in securities	191,985	Other	132,811
Long-term loans receivable	14,415	TOTAL LIABILITIES	3,122,816
Long-term leasehold deposits	372,348	NET ASSETS	
Advances for store construction	548	Shareholders' equity	2,470,808
Net defined benefit asset	43,666	Common stock	50,000
Deferred income taxes	31,079	Capital surplus	409,859
Other	63,878	Retained earnings	2,015,630
Allowance for doubtful accounts	(2,881)	Treasury stock, at cost	(4,680)
Deferred assets	101	Total accumulated other comprehensive income	50,587
Business commencement expenses	101	Unrealized gains on available-for-sale securities, net of taxes	26,150
		Unrealized losses on hedging derivatives, net of taxes	(69)
		Foreign currency translation adjustments	23,768
		Remeasurements of defined benefit plan	737
		Subscription rights to shares	2,805
		Non-controlling interests	148,285
		TOTAL NET ASSETS	2,672,486
TOTAL ASSETS	5,795,302	TOTAL LIABILITIES AND NET ASSETS	5,795,302

CONSOLIDATED STATEMENT OF INCOME (March 1, 2018 to February 28, 2019)

(Millions of yen)

Item	Amount	
Revenues from operations		6,791,215
Net sales		5,508,600
Cost of sales		4,411,816
Gross profit on sales		1,096,784
Operating revenues		1,282,615
Gross profit from operations		2,379,399
Selling, general and administrative expenses		1,967,802
Operating income		411,596
Non-operating income		
Interest and dividend income	6,111	
Equity in earnings of affiliates	961	
Other	4,582	11,654
Non-operating expenses		
Interest expenses	10,219	
Interest on bonds	1,891	
Other	4,615	16,727
Ordinary income		406,523
Special gains		
Gain on sales of property and equipment	11,214	
Gain on sales of property and equipment related to restructuring	427	
Gain on sales of investments in securities	2,665	
Other	1,248	15,556
Special losses		
Loss on disposals of property and equipment	18,956	
Impairment loss	55,776	
Amortization of goodwill	3,895	
Loss on sales of shares of subsidiaries	3,320	
Restructuring expenses	2,619	
Other	20,099	104,668
Income before income taxes		317,411
Income taxes - current	96,076	
Income taxes - deferred	8,275	104,351
Net income		213,060
Net income attributable to non-controlling interests		10,056
Net income attributable to owners of parent		203,004

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2018 to February 28, 2019)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2018	50,000	409,128	1,894,444	(4,731)	2,348,841
Increase (decrease) for the year					
Cash dividends			(81,823)		(81,823)
Net income attributable to owners of parent			203,004		203,004
Purchase of treasury stock				(20)	(20)
Disposal of treasury stock		25		71	97
Sales of shares of consolidated subsidiaries		704			704
Other		0	4	(0)	5
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	—	731	121,185	51	121,967
Balance at February 28, 2019	50,000	409,859	2,015,630	(4,680)	2,470,808

	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, 2018	27,897	(92)	46,638	3,979	78,423	2,623	145,454	2,575,342
Increase (decrease) for the year								
Cash dividends								(81,823)
Net income attributable to owners of parent								203,004
Purchase of treasury stock								(20)
Disposal of treasury stock								97
Sales of shares of consolidated subsidiaries								704
Other								5
Net changes of items other than shareholders' equity	(1,747)	22	(22,869)	(3,241)	(27,836)	182	2,830	(24,823)
Net increase (decrease) for the year	(1,747)	22	(22,869)	(3,241)	(27,836)	182	2,830	97,144
Balance at February 28, 2019	26,150	(69)	23,768	737	50,587	2,805	148,285	2,672,486

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: 135

(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.

Consolidated subsidiaries increased by seven (7)

Following the establishment of Seven Pay Co., Ltd. and SCORE Co., Ltd., the acquisition of shares of MARRON STYLE Co., Ltd. and other transactions.

Consolidated subsidiaries decreased by seventeen (17)

Following the sales of SHADDY CO., LTD. and two (2) other companies, the dissolution of seven (7) companies due to merger and the liquidation of seven (7) companies.

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: 24

Names of major affiliates:

PRIME DELICA CO., LTD.

PIA Corporation

Affiliates to which equity method is applied increased by one (1) during the 14th fiscal year, following the acquisition of shares of TORANOTEC Ltd. by the Company's subsidiary, Seven Bank, Ltd. Also, affiliates to which equity method is applied decreased by one (1) during the 14th fiscal year, following the transfer of shares.

- (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).

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 mainly by the weighted average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method and the moving-average 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 14th 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 expected to be paid in respect of the calculation period ended on the balance sheet date.

(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 domestic 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 14th fiscal year. The amount is calculated using the historical results of collection.

(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 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 some consolidated subsidiaries. The amount is based on the expected stock benefit payable at the end of the 14th 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 end of the 14th 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 fiscal year following the fiscal year in which they arise, which is shorter than 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 shorter than the average remaining years of service of the eligible employees.

(5) Significant hedge accounting methods

(i) Hedge accounting

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized.

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, and interest rate swap contracts are accounted for by specific hedging when they meet certain criteria for the method.

(ii) Hedge instruments and hedged items

(a) Hedge instruments – Forward foreign exchange contracts

Hedged items – Foreign currency-denominated monetary asset and liability

(b) Hedge instruments – Interest rate swap

Hedged items – Loans payable

(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 except for interest rate swap contracts that meet specific hedging criteria.

(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 method of presentation

(Consolidated Statement of Income)

"Gain on sales of investments in securities," which was previously included in "Other" of special gains in the 13th fiscal year, is separately presented for the 14th fiscal year due to its increased materiality.

"Loss on sales of shares of subsidiaries," which was previously included in "Other" of

special losses in the 13th fiscal year, is separately presented for the 14th fiscal year due to its increased materiality.

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:	¥563 million
Land:	¥1,258 million
Investments in securities:	¥74,135 million
Long-term leasehold deposits:	¥4,564 million
Total	¥80,522 million

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

Long-term loans:

(including current portion of long-term loans):

¥8,862 million

In addition, buildings (¥327 million) and land (¥1,331 million) are pledged as collateral for the loans (¥2,743 million) of affiliates.

Investments in securities (¥829 million) and leasehold deposits (¥400 million) are pledged as collateral for exchange settlement transactions. Leasehold deposits (¥55 million) are deposited with an official depository under the Building Lots and Buildings Transaction Business Law. Leasehold deposits (¥1,335 million) are deposited with an official depository under the Installment Sales Law.

In addition, in accordance with the Act on Financial Settlements, leasehold deposits (¥452 million) have been pledged as collateral.

2. Accumulated depreciation of property and equipment: ¥1,875,955 million

3. Contingent liabilities

Guarantees of borrowings from financial institutions by employees are ¥134 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:	¥857,286 million
Outstanding balance:	¥44,855 million
Unused credit balance	¥812,430 million

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, 2018	Number of shares increased	Number of shares decreased	As of February 28, 2019
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, 2018	Number of shares increased	Number of shares decreased	As of February 28, 2019
Common stock	1,897	4	28	1,873

(Notes)

1. The 4 thousand increase in the number of common stock in treasury stock was due to the purchase of odd-lot shares.
2. The 28 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 and a decrease of 0 thousand shares resulting from the sale of odd-lot shares.

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 24, 2018; Annual Shareholders' Meeting	Common stock	39,805	45.00	February 28, 2018	May 25, 2018
October 11, 2018; Board of Directors' meeting	Common stock	42,018	47.50	August 31, 2018	November 15, 2018
Total		81,823			

(2) Dividends whose record date is within the 14th fiscal year but to be effective during the 15th fiscal year

At the Annual Shareholders' Meeting to be held on May 23, 2019, the following proposal for resolution will be presented for matters concerning common stock dividends.

- (i) Total amount of cash dividends: ¥42,018 million
- (ii) Dividend per share: ¥47.50
- (iii) Record date: February 28, 2019
- (iv) Effective date: May 24, 2019

Plans call for the dividends to be paid from retained earnings.

4. Items relating to share subscription rights at the end of the 14th 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	1st share subscription rights issue	Common stock	1,800 shares
	2nd share subscription rights issue	Common stock	21,400 shares
	3rd share subscription rights issue	Common stock	4,100 shares
	4th share subscription rights issue	Common stock	29,400 shares
	5th share subscription rights issue	Common stock	3,800 shares
	6th share subscription rights issue	Common stock	33,200 shares
	7th share subscription rights issue	Common stock	4,700 shares
	8th share subscription rights issue	Common stock	48,100 shares
	9th share subscription rights issue	Common stock	4,500 shares
	10th share subscription rights issue	Common stock	52,200 shares
	11th share subscription rights issue	Common stock	4,100 shares
	12th share subscription rights issue	Common stock	53,200 shares
	13th share subscription rights issue	Common stock	3,800 shares
	14th share subscription rights issue	Common stock	58,200 shares
	15th share subscription rights issue	Common stock	6,800 shares
	16th share subscription rights issue	Common stock	67,500 shares
	17th share subscription rights issue	Common stock	12,400 shares
	18th share subscription rights issue	Common stock	64,300 shares
	19th share subscription rights issue	Common stock	16,100 shares
	20th share subscription rights issue	Common stock	102,300 shares
	21st share subscription rights issue	Common stock	18,200 shares
	22nd share subscription rights issue	Common stock	111,100 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	42,000 shares
	5th share subscription rights issue (1)	Common stock	171,000 shares
	5th share subscription rights issue (2)	Common stock	30,000 shares

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
	6th share subscription rights issue (1)	Common stock	107,000 shares
	6th share subscription rights issue (2)	Common stock	15,000 shares
	7th share subscription rights issue (1)	Common stock	98,000 shares
	7th share subscription rights issue (2)	Common stock	23,000 shares
	8th share subscription rights issue (1)	Common stock	70,000 shares
	8th share subscription rights issue (2)	Common stock	24,000 shares
	9th share subscription rights issue (1)	Common stock	185,000 shares
	9th share subscription rights issue (2)	Common stock	57,000 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.

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). For certain long-term loans with variable interest rates, the Group uses interest rate swap contracts to hedge the risk of interest rate fluctuations.

2. Items relating to the market values of financial instruments

The amounts recorded on the Consolidated Balance Sheet on February 28, 2019, 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 82 note 2.)

	Consolidated Balance Sheet (Millions of yen)	Market value (Millions of yen)	Difference (Millions of yen)
(1) Cash and bank deposits	1,314,564	1,314,564	—
(2) Notes and accounts receivable-trade	336,070		
Allowance for doubtful accounts* ¹	(3,292)		
	332,777	336,456	3,678
(3) Investments in securities	144,331	152,091	7,759
(4) Long-term leasehold deposits* ²	279,383		
Allowance for doubtful accounts* ³	(64)		
	279,318	291,504	12,185
Total assets	2,070,992	2,094,616	23,624
(1) Notes and accounts payable-trade	411,602	411,602	—
(2) Deposits received in banking business	588,395	588,544	148
(3) Bonds* ⁴	411,914	416,975	5,060
(4) Long-term loans* ⁵	550,114	547,557	(2,556)
(5) Deposits received from tenants and franchised stores* ⁶	27,335	27,085	(249)
Total liabilities	1,989,362	1,991,765	2,402
Derivative instruments* ⁷	(39)	(39)	—

(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 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. However, because interest rate swap contracts meeting specific hedging criteria are recognized together with hedged long-term loans, the market value of interest rate swap contracts is included in the market value of the relevant long-term loans. 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	11,399
Shares of subsidiaries and affiliates	30,454
Other	5,799
Long-term leasehold deposits* ²	101,757
Deposits received from tenants and franchised stores* ²	27,612

(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: ¥2,850.42
2. Net income per share: ¥229.50

Notes concerning significant subsequent event

None.

Other note

Notes concerning business combination

Business combination by acquisition

1. Outline of business combination

(1) Name and main business of the acquired company

Name: Sunoco LP

Main business: Operation of fuel wholesale and retail, and convenience store business

(2) Business combination objectives

In accordance with the Medium-Term Management Plan for the Group announced in October 2016, 7-Eleven, Inc. is aiming to achieve average daily merchandise sales per store of \$5,000 and 10,000 stores by the fiscal year ending February 29, 2020, and is working to strengthen its merchandizing capabilities and expand its store network. Sunoco LP has a large number of stores in the State of Texas and the eastern area of the United States, where 7-Eleven, Inc., currently operates stores. By acquiring part of Sunoco LP's convenience store business and gasoline retail business, 7-Eleven, Inc. will expand its store network and offer greater convenience, while also improving profitability. Regarding the stores acquired, 7-Eleven, Inc. signed a contract to receive gasoline from Sunoco LP for the next 15 years.

(3) Date of the business combination

January 23, 2018

(4) Form of the business combination

Business acquisition

(5) The acquired company's name after the business combination

No change

(6) Main reason for deciding the acquiring company

7-Eleven, Inc. acquired the business with all consideration paid in cash.

2. Period for which the acquired company's operating results are included in the consolidated financial statements

From January 23, 2018 to December 31, 2018

3. Acquisition cost of acquired business and breakdown by type of consideration

Consideration for acquisition	Cash	US\$3,241,530 thousand	(¥359,291 million)
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Acquisition cost		US\$3,241,530 thousand	(¥359,291 million)
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4. Details and amounts of main acquisition-related costs

Payment for financial and legal due diligence US\$35,128 thousand (¥3,893 million)

5. Amount, reason for recognition, and method and period of amortization of goodwill

(1) Amount of goodwill

US\$1,397,004 thousand (¥154,843 million)

The amount of goodwill was determined when the acquisition cost allocation was completed during the 14th fiscal year.

(2) Reason for recognition of goodwill

Expected excess earning power of future business development.

(3) Period and method of amortization of goodwill

Straight-line method over 20 years.

6. Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

Current assets	US\$130,729 thousand	(¥14,490 million)
Non-current assets	US\$1,831,826 thousand	(¥203,039 million)
Total assets	US\$1,962,556 thousand	(¥217,529 million)
Non-current liabilities	US\$118,029 thousand	(¥13,082 million)
Total liabilities	US\$118,029 thousand	(¥13,082 million)

7. Approximate amounts of impact of the business combination on the Company's Consolidated Statement of Income for the 14th fiscal year assuming the business combination was completed at the beginning of the consolidated fiscal year, and the calculation method thereof

Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the January 23, 2018 rate (US\$1 = ¥110.84).

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 28, 2019)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	41,187	Current liabilities	66,775
Cash and bank deposits	389	Current portion of bonds	40,000
Prepaid expenses	623	Short-term loans payable to subsidiaries and affiliates	8
Deferred income taxes	142	Lease obligations	2,359
Accounts receivable, other	32,436	Accounts payable, other	6,953
Deposits held by subsidiaries and affiliates	6,177	Accrued expenses	691
Other	1,416	Income taxes payable	15,558
Non-current assets	1,776,319	Advance received	241
Property and equipment	6,027	Allowance for bonuses to employees	301
Buildings and structures	2,546	Allowance for bonuses to Directors and Audit & Supervisory Board Members	49
Fixtures, equipment and vehicles	116	Other	611
Land	2,712	Non-current liabilities	274,531
Lease assets	651	Bonds	236,914
Intangible assets	14,661	Long-term loans payable to subsidiaries and affiliates	12
Software	6,623	Deferred income taxes	1,437
Software in progress	2,515	Lease obligations	4,560
Lease assets	5,521	Deposits received from tenants	2,348
Other	1	Provision for loss on guarantees	28,912
Investments and other assets	1,755,629	Other	345
Investments in securities	40,092	TOTAL LIABILITIES	341,306
Stocks of subsidiaries and affiliates	1,639,238	NET ASSETS	
Prepaid pension cost	945	Shareholders' equity	1,460,238
Long-term leasehold deposits	3,474	Common stock	50,000
Deposits paid in subsidiaries and affiliates	70,000	Capital surplus	1,246,489
Other	1,879	Additional paid-in capital	875,496
		Other capital surplus	370,992
		Retained earnings	168,381
		Other retained earnings	168,381
		Retained earnings brought forward	168,381
		Treasury stock, at cost	(4,632)
		Accumulated gains from valuation and translation adjustments	13,476
		Unrealized gains on available-for-sale securities, net of taxes	13,476
		Subscription rights to shares	2,484
		TOTAL NET ASSETS	1,476,199
TOTAL ASSETS	1,817,506	TOTAL LIABILITIES AND NET ASSETS	1,817,506

NON-CONSOLIDATED STATEMENT OF INCOME (March 1, 2018 to February 28, 2019)

(Millions of yen)

Item	Amount	
Revenues from operations		
Dividend income	112,758	
Management consulting fee income	4,804	
Commission fee income	2,390	
Other	118	120,072
General and administrative expenses		24,863
Operating income		95,209
Non-operating income		
Interest income	1,142	
Dividend income	594	
Other	60	1,797
Non-operating expenses		
Interest expenses	107	
Interest on bonds	1,891	
Amortization of bond issuance cost	435	
Other	1	2,436
Ordinary income		94,571
Special losses		
Loss on disposals of property and equipment	0	
Provision for loss on guarantees	4,050	
Other	501	4,552
Income before income taxes		90,018
Income taxes - current	(1,602)	
Income taxes - deferred	1,522	(80)
Net income		90,098

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2018 to February 28, 2019)

(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 Retained earnings brought forward	Total retained earnings		
Balance at March 1, 2018	50,000	875,496	370,967	1,246,463	160,105	160,105	(4,684)	1,451,885
Increase (decrease) for the year								
Cash dividends					(81,823)	(81,823)		(81,823)
Net income					90,098	90,098		90,098
Purchase of treasury stock							(20)	(20)
Disposal of treasury stock			25	25			71	97
Net changes of items other than shareholders' equity								
Net increase (decrease) for the year	—	—	25	25	8,275	8,275	51	8,352
Balance at February 28, 2019	50,000	875,496	370,992	1,246,489	168,381	168,381	(4,632)	1,460,238

	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, 2018	14,010	14,010	2,090	1,467,985
Increase (decrease) for the year				
Cash dividends				(81,823)
Net income				90,098
Purchase of treasury stock				(20)
Disposal of treasury stock				97
Net changes of items other than shareholders' equity	(533)	(533)	394	(138)
Net increase (decrease) for the year	(533)	(533)	394	8,213
Balance at February 28, 2019	13,476	13,476	2,484	1,476,199

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 14th 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 accrued pension and severance costs (Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the 14th 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 14th fiscal year. In calculating retirement benefit obligation, the method for allocating the estimated total retirement benefits for the end of the 14th 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.

(4) 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

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized.

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 to Non-Consolidated Balance Sheet

1. Accumulated depreciation of property and equipment:	¥4,049 million
2. Monetary claims and monetary obligations in regard to subsidiaries and affiliates (excluding items listed elsewhere)	
(1) Short-term receivables:	¥32,474 million
(2) Short-term payables:	¥7,814 million
(3) Long-term payables:	¥6,892 million

Notes to Non-Consolidated Statement of Income

Items relating to transactions with subsidiaries and affiliates

(1) Operating transactions	
Revenues from operations:	¥120,034 million
General and administrative expenses:	¥5,390 million
(2) Non-operating transactions:	¥5,790 million

Notes to Non-Consolidated Statement of Changes in Net Assets

Shares of treasury stock at the end of the fiscal year Common stock 1,850,390 shares

Notes regarding tax effect accounting

Deferred tax assets and deferred tax liabilities by cause of occurrence

Deferred tax assets

Allowance for bonuses to employees:	¥105 million
Accrued enterprise taxes and business office taxes:	¥58 million
Subscription rights to shares:	¥761 million
Tax loss carried forward:	¥3,268 million
Denial of impairment loss:	¥5,481 million
Valuation loss on subsidiaries' and affiliates' stock:	¥55,912 million
Provision for loss on guarantees:	¥8,854 million
Other:	¥647 million
Sub-total:	¥75,089 million
Less: Valuation allowance:	(¥70,145 million)
Total:	¥4,943 million

Deferred tax liabilities

Prepaid pension cost:	(¥289 million)
Unrealized losses on available-for-sale securities, net of taxes:	(¥5,949 million)
Total:	(¥6,238 million)
Deferred tax assets (liabilities), net:	(¥1,294 million)

Notes concerning non-current assets utilized through leases

Future lease payments for non-cancellable operating leases

Due within one year:	¥1,301 million
Due after one year:	¥4,114 million
Total:	¥5,416 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	Account title	Year-end balance
Subsidiary	SEVEN & i Financial Center Co., Ltd.	Ownership Direct: 100	Financial support	Deposit of funds (Note 1)	481,200	Deposits held by subsidiaries and affiliates	6,177
				Interest on deposits (Note 1)	1,142	Deposits paid in subsidiaries and affiliates	70,000
						Other current assets	183
Subsidiary	Seven-Eleven Japan Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Business management (Note 2)	3,065	Accounts receivable	24,433
				Operational consignment (Note 3)	761		
				Tax payment under consolidated taxation	48,835		
Subsidiary	Ito-Yokado Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Operational consignment (Note 3)	1,211	Accounts receivable	299
Subsidiary	Seven & i Net Media Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Operational consignment	4,569	Accounts payable, other	2,177
				Provision for loss on guarantees	852	Provision for loss on guarantees	5,766
Subsidiary	Nissen Holdings Co., Ltd.	Ownership Indirect: 100	—	Provision for loss on guarantees	3,198	Provision for loss on guarantees	23,145

(Notes)

1. Transactions are conducted based on interest rates for deposits to 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:	¥1,665.98
2. Net income per share:	¥101.85

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.