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Annual Securities Report

(Pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act)

For the 18th Fiscal Year From March 1, 2022 to February 28, 2023

Seven & i Holdings Co., Ltd.

(E03462)

18th Fiscal Year (From March 1, 2022 to February 28, 2023)

Annual Securities Report

1. This document was prepared for printing by adding a table of contents and pages to the Annual Securities Report pursuant to Article 24, paragraph (1) of the Financial Instruments and Exchange Act submitted on May 26, 2023 as data using the Electronic Disclosure for Investors' NETwork (EDINET) prescribed in Article 27-30-2 of the Financial Instruments and Exchange Act.
2. Although the attached documents to the Annual Securities Report submitted as described above are not included in this document, the Audit Report and Internal Control Report are included at the end of this document.

Seven & i Holdings Co., Ltd.

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[Document title]	Annual Securities Report
[Clause of stipulation]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	May 26, 2023
[Fiscal year]	18th fiscal year (From March 1, 2022 to February 28, 2023)
[Company name]	*Kabushiki-Kaisha Seven & i Holdings*
[Company name in English]	Seven & i Holdings Co., Ltd.
[Title and name of representative]	Ryuichi Isaka, President, Representative Director and CEO
[Address of registered head office]	8-8, Nibancho, Chiyoda-ku, Tokyo
[Telephone number]	+81-3-6238-3000 (Main)
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[Name of contact person]	Akira Okamoto, Senior Officer of the Accounting Department
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-Kabutocho, Chuo-ku, Tokyo)

Part I. [Company Information]

I. [Overview of the Company]

1. [Trends in key management indicators]

(1) Management indicators (Consolidated)

		14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year	18th fiscal year
Fiscal year-end		February 2019	February 2020	February 2021	February 2022	February 2023
Revenues from operations	(Millions of yen)	6,791,215	6,644,359	5,766,718	8,749,752	11,811,303
Ordinary income	(Millions of yen)	406,523	417,872	357,364	358,571	475,887
Net income attributable to owners of parent	(Millions of yen)	203,004	218,185	179,262	210,774	280,976
Comprehensive income	(Millions of yen)	184,963	231,253	169,315	415,883	572,887
Net assets	(Millions of yen)	2,672,486	2,757,222	2,831,335	3,147,732	3,648,161
Total assets	(Millions of yen)	5,795,065	5,996,887	6,946,832	8,739,279	10,550,956
Net assets per share	(Yen)	2,850.42	2,946.83	3,022.68	3,375.50	3,933.93
Net income per share	(Yen)	229.50	246.95	203.03	238.68	318.14
Diluted net income per share	(Yen)	229.31	246.85	203.02	238.68	318.13
Equity ratio	(%)	43.5	43.4	38.4	34.1	32.9
Return on equity	(%)	8.2	8.5	6.8	7.5	8.7
Price earnings ratio	(Times)	21.3	15.0	19.9	23.4	19.1
Cash flows from operating activities	(Millions of yen)	577,878	576,670	539,995	736,476	928,476
Cash flows from investing activities	(Millions of yen)	(557,497)	(318,047)	(394,127)	(2,505,566)	(413,229)
Cash flows from financing activities	(Millions of yen)	(5,324)	(213,204)	690,542	937,077	(270,373)
Cash and cash equivalents at the end of the year	(Millions of yen)	1,310,729	1,354,856	2,183,837	1,414,890	1,674,787
Number of employees [Separately, average number of temporary employees]	(Persons)	58,165 [86,463]	57,270 [81,538]	58,975 [76,357]	83,635 [87,122]	84,154 [83,094]

Notes: 1. The BIP Trust and the ESOP Trust have been introduced from the 15th fiscal year, and the Company's shares held by these trusts are recorded as treasury stock in the consolidated financial statements. Accordingly, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted from the total number of shares issued at the end of period to calculate net assets per share, and included in the number of shares of treasury stock deducted for the computation of the average number of shares during the period, to calculate net income per share and diluted net income per share.

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc., from the beginning of the fiscal year under review, and the key management indicators, etc., for the fiscal year under review are those after applying the Revenue Recognition Accounting Standard, etc.

(2) The Company's management indicators (Non-consolidated)

		14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year	18th fiscal year
Fiscal year-end		February 2019	February 2020	February 2021	February 2022	February 2023
Revenues from operations	(Millions of yen)	120,072	115,843	163,940	152,208	248,468
Ordinary income	(Millions of yen)	94,571	90,032	128,034	100,680	173,656
Net income	(Millions of yen)	90,098	56,198	64,096	107,109	179,780
Capital	(Millions of yen)	50,000	50,000	50,000	50,000	50,000
Total number of shares issued	(Shares)	886,441,983	886,441,983	886,441,983	886,441,983	886,441,983
Net assets	(Millions of yen)	1,476,199	1,435,871	1,413,027	1,421,117	1,511,564
Total assets	(Millions of yen)	1,817,363	1,789,952	2,529,336	2,561,080	2,593,865
Net assets per share	(Yen)	1,665.98	1,626.31	1,600.21	1,609.10	1,711.32
Dividend per share [Of which, interim dividend per share]	(Yen)	95.00 [47.50]	98.50 [47.50]	98.50 [47.50]	100.00 [48.00]	113.00 [49.50]
Net income per share	(Yen)	101.85	63.61	72.59	121.29	203.55
Diluted net income per share	(Yen)	101.78	63.58	72.59	121.29	203.55
Equity ratio	(%)	81.1	80.2	55.9	55.5	58.3
Return on equity	(%)	6.1	3.9	4.5	7.6	12.3
Price earnings ratio	(Times)	48.1	58.1	55.6	46.1	29.9
Dividend payout ratio	(%)	93.3	154.8	135.7	82.4	55.5
Number of employees [Separately, average number of temporary employees]	(Persons)	566 [24]	588 [18]	799 [16]	969 [15]	1,017 [15]
Total shareholder return [Comparative indicator: TOPIX including dividend]	(%) (%)	111.8 [92.9]	87.2 [89.5]	97.0 [113.2]	134.1 [117.0]	147.8 [127.0]
Highest share price	(Yen)	5,203	4,916	4,373	6,083	6,203
Lowest share price	(Yen)	4,275	3,573	2,937	4,095	5,041

Notes: 1. The highest and lowest share prices are those on the Tokyo Stock Exchange (Prime Market) on and after April 4, 2022, and those on the Tokyo Stock Exchange (First Section) on and before April 3, 2022.

2. The BIP Trust and the ESOP Trust have been introduced from the 15th fiscal year, and the Company's shares held by these trusts are recorded as treasury stock in the nonconsolidated financial statements. Accordingly, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted from the total number of shares issued at the end of period to calculate net assets per share, and included in the number of shares of treasury stock deducted for the computation of the average number of shares during the period, to calculate net income per share and diluted net income per share.

3. The Company has applied the Revenue Recognition Accounting Standard, etc., from the beginning of the fiscal year under review, and the key management indicators, etc., for the fiscal year under review are those after applying the Revenue Recognition Accounting Standard, etc.
4. The dividend per share for the 18th fiscal year includes a commemorative dividend of ¥10 per share for the 50th anniversary of the establishment of SEVEN-ELEVEN JAPAN CO., LTD.

2. [History]

Date	Outline
April 2005	SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., and Denny's Japan Co., Ltd. (hereinafter the "3 Companies") resolved at the Board of Directors' meeting to jointly establish a holding company that is a wholly owning parent company (the Company) through share transfers and entered into a share transfer agreement.
May 2005	The establishment of a holding company through share transfers was approved at the shareholders' meetings of the 3 Companies.
September 2005	Seven & i Holdings Co., Ltd. was established. Listed its shares on the First Section of the Tokyo Stock Exchange.
November 2005	Shares of 7-Eleven, Inc. were acquired by means of tender offer through a subsidiary, and the said company became a wholly owned subsidiary.
December 2005	Entered into a basic agreement regarding a business alliance and management integration with Millennium Retailing, Inc.
January 2006	The Company acquired 65.45% of shares of Millennium Retailing, Inc., and 11 subsidiaries of said company including Sogo Co., Ltd. and The Seibu Department Stores, Ltd. became subsidiaries of the Company.
June 2006	After the additional acquisition of shares of Millennium Retailing, Inc., a share exchange was conducted and said company became a wholly owned subsidiary.
September 2006	A share exchange was conducted with York-Benimaru Co., Ltd., and said company became a wholly owned subsidiary.
January 2007	To achieve synergies in the restaurant business area, decided to integrate and reorganize three companies in said business area (Denny's Japan Co., Ltd., Famil Co., Ltd. and York Bussan K.K.), and established Seven & i Food Systems Co., Ltd., which became a wholly owning parent company of these three companies.
January 2008	To strengthen the financial services, established Seven & i Financial Group, a new company that oversees the services.
February 2008	Seven Bank, Ltd. listed its shares on the Jasdaq Securities Exchange (currently JASDAQ (Standard) market of the Tokyo Stock Exchange) on February 29, 2008.
July 2008	To strengthen IT services, established Seven & i Net Media Co., Ltd., a new company that oversees the services.
June 2009	To tap into the over-the-counter drug market, established Seven Health Care Co., Ltd.
August 2009	Three companies, Millennium Retailing, Inc., Sogo Co., Ltd. and The Seibu Department Stores, Ltd., were integrated, and the company name of Sogo Co., Ltd., the surviving company, was changed to Sogo & Seibu Co., Ltd.
March 2011	SEVEN & i FINANCIAL GROUP CO., LTD. merged with SE CAPITAL CORPORATION and dissolved, and SE CAPITAL CORPORATION, the surviving company, changed its company name to Seven Financial Service Co., Ltd.
April 2011	The Company acquired 51.00% of shares of Seven CS Card Service Co., Ltd., and said company became a subsidiary.
December 2011	Seven Bank, Ltd. listed its shares on the First Section of the Tokyo Stock Exchange on December 26, 2011.
January 2014	Seven & i Net Media Co., Ltd. acquired 50.74% of voting rights of Nissen Holdings Co., Ltd. through tender offer and underwriting of a third-party allotment of new shares, and Nissen Holdings Co., Ltd. and its 25 subsidiaries became consolidated subsidiaries of the Company.
November 2016	Seven & i Net Media Co., Ltd. acquired shares of Nissen Holdings Co., Ltd. through a share exchange, and Nissen Holdings Co., Ltd. became a wholly owned subsidiary.
May 2021	SEI Speedway Holdings, LLC, which was established as a wholly owned subsidiary of 7-Eleven, Inc., acquired shares and other interests in Speedway LLC and other 20 companies from Marathon Petroleum Corporation in the U.S., and Speedway LLC and other companies became consolidated subsidiaries of the Company.
April 2022	Due to the Tokyo Stock Exchange's market restructuring, the Company and Seven Bank, Ltd. moved from the First Section to the Prime Market of the Tokyo Stock Exchange.

3. [Details of business]

Consisting of 190 companies (including the Company), the Group is a corporate group, under which the Company serves as the pure holding company, operates mainly in the distribution industry with the focus on domestic convenience store operations, overseas convenience store operations, superstore operations, department and specialty store operations, and financial services.

Operating segment, major group companies and number of companies are as follows. This segmentation is same as the reportable segment shown in the section of segment information. The Company is a specified listed company, etc. Because the Company falls under the category of specified listed companies, etc., a judgment is to be made based on figures on a consolidated basis regarding the de minimis thresholds for material events under the insider trading regulations.

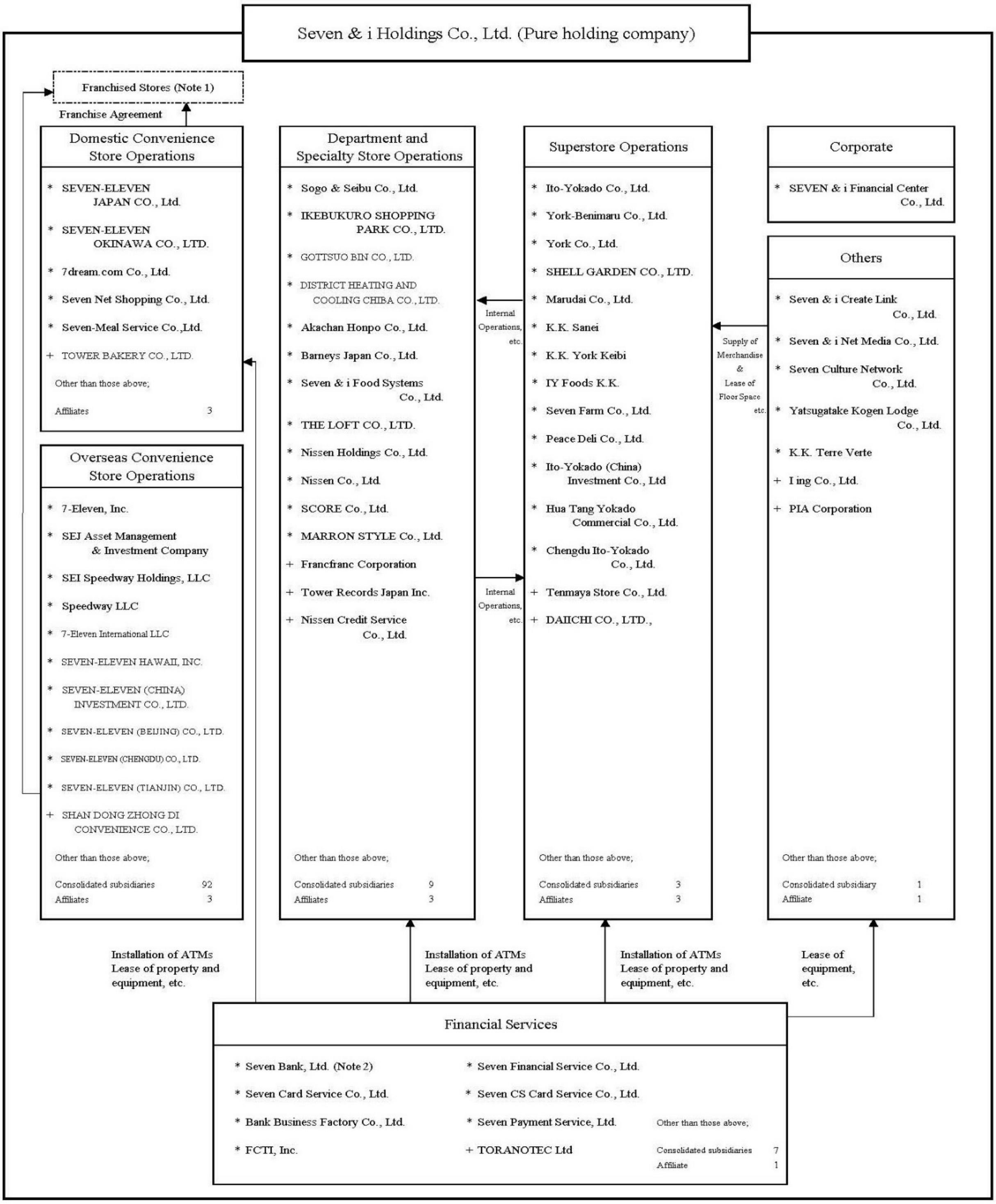
Operating segment	Major group companies	Number of companies
Domestic convenience store operations (9 companies)	SEVEN-ELEVEN JAPAN CO., LTD. SEVEN-ELEVEN OKINAWA Co., Ltd. 7dream.com Co., Ltd. Seven Net Shopping Co., Ltd. Seven-Meal Service Co., Ltd. TOWER BAKERY CO., LTD.[*1]	Consolidated subsidiaries 5 Affiliates 4 Total 9
Overseas convenience store operations (106 companies)	7-Eleven, Inc. SEJ Asset Management & Investment Company SEI Speedway Holdings, LLC Speedway LLC 7-Eleven International LLC SEVEN-ELEVEN HAWAII, INC. SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (CHENGDU) CO., LTD. SEVEN-ELEVEN (TIANJIN) CO., LTD. SHAN DONG ZHONG DI CONVENIENCE CO., LTD.[*1]	Consolidated subsidiaries 102 Affiliates 4 Total 106
Superstore operations (21 companies)	Ito-Yokado Co., Ltd. York-Benimaru Co., Ltd. York Co., Ltd. SHELL GARDEN CO., LTD. Marudai Co., Ltd. K.K. Sanei K.K. York Keibi IY Foods K.K. Seven Farm Co., Ltd. Peace Deli 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]	Consolidated subsidiaries 16 Affiliates 5 Total 21
Department and specialty store operations (27 companies)	Sogo & Seibu Co., Ltd. IKEBUKURO SHOPPING PARK CO., LTD. GOTTSUO BIN CO., LTD. DISTRICT HEATING AND COOLING CHIBA CO., LTD. Akachan Honpo Co., Ltd. Barneys Japan Co., Ltd.[*2] Seven & i Food Systems Co., Ltd. THE LOFT CO., LTD. Nissen Holdings Co., Ltd. Nissen Co., Ltd. SCORE Co., Ltd. MARRON STYLE Co., Ltd. Francfranc Corporation[*1] Tower Records Japan Inc.[*1] Nissen Credit Service Co., Ltd.[*1]	Consolidated subsidiaries 21 Affiliates 6 Total 27

Operating segment	Major group companies	Number of companies	
Financial services (16 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. FCTI, Inc. TORANOTEC Ltd.*1	Consolidated subsidiaries Affiliates Total	14 2 16
Others (9 companies)	Seven & i Create Link Co., Ltd. Seven & i Net Media Co., Ltd. Seven Culture Network Co., Ltd. Yatsugatake Kogen Lodge Co., Ltd. K.K. Terre Verte I ing Co., Ltd.*1 PIA Corporation*1	Consolidated subsidiaries Affiliates Total	6 3 9
Corporate (1 company)	SEVEN & i Financial Center Co., Ltd.	Consolidated subsidiary	1

Notes: *1. TOWER BAKERY CO., LTD., SHAN DONG ZHONG DI CONVENIENCE CO., LTD., Tenmaya Store Co., Ltd., DAIICHI CO., LTD., Francfranc Corporation, Tower Records Japan Inc., Nissen Credit Service Co., Ltd., TORANOTEC Ltd., I ing Co., Ltd., and PIA Corporation are affiliates.

*2. Barneys Japan Co., Ltd. was excluded from the Company's scope of consolidation due to the transfer of shares as of May 1, 2023.

The structure of businesses is basically as indicated by the following chart.



* Consolidated subsidiary

\+ Affiliate accounted for using the equity method

Notes: 1. Each franchised store is operated by an independent franchisee which enters into franchise agreement with SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd., 7-Eleven, Inc., SEVEN-ELEVEN (BEIJING) CO., LTD., SEVEN-ELEVEN (CHENGDU) CO., LTD., and SEVEN-ELEVEN (TIANJIN) CO., LTD.

2. As of February 28, 2023, Seven Bank, Ltd. has 26,889 units of ATMs placed mainly in the stores of Group companies.

4. [Status of subsidiaries and affiliates]

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
(Consolidated subsidiaries) SEVEN-ELEVEN JAPAN CO., LTD. (Note 3)	Tokyo Met. Chiyoda-ku	17,200	Domestic convenience store operations	100.0	3	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
7-Eleven, Inc. (Notes 3, 9)	U.S. Texas	Thousands of U.S. dollars 17	Overseas convenience store operations	100.0 [100.0]	4	1	–
Ito-Yokado Co., Ltd. (Note 3)	Tokyo Met. Chiyoda-ku	40,000	Superstore operations	100.0	1	3	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
York-Benimaru Co., Ltd. (Note 3)	Fukushima Pref. Koriyama-shi	9,927	Superstore operations	100.0	1	1	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
Sogo & Seibu Co., Ltd. (Note 3)	Tokyo Met. Toshima-ku	20,500	Department and specialty store operations	100.0	1	3	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
Seven Bank, Ltd. (Notes 3, 4, 5)	Tokyo Met. Chiyoda-ku	30,724	Financial services	46.4 [46.4]	1	–	–
SEVEN-ELEVEN OKINAWA Co., Ltd.	Okinawa Pref. Naha-shi	1,500	Domestic convenience store operations	100.0 [100.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration.
7dream.com Co., Ltd.	Tokyo Met. Chiyoda-ku	450	Domestic convenience store operations	68.0 [68.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company contracts out various business operations.
Seven Net Shopping Co., Ltd.	Tokyo Met. Chiyoda-ku	10	Domestic convenience store operations	100.0 [100.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration.

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
Seven-Meal Service Co., Ltd.	Tokyo Met. Chiyoda-ku	300	Domestic convenience store operations	90.0 [90.0]	–	1	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
SEJ Asset Management & Investment Company (Notes 3, 9)	U.S. Delaware	Thousands of U.S. dollars 157	Overseas convenience store operations	100.0 [74.6]	1	–	–
SEI Speedway Holdings, LLC (Notes 3, 9)	U.S. Delaware	–	Overseas convenience store operations	100.0 [100.0]	–	–	–
Speedway LLC (Notes 3, 9)	U.S. Delaware	–	Overseas convenience store operations	100.0 [100.0]	–	–	–
7-Eleven International LLC (Note 9)	U.S. Delaware	–	Overseas convenience store operations	100.0 [100.0]	4	1	–
SEVEN-ELEVEN HAWAII, INC.	U.S. Hawaii	Thousands of U.S. dollars 20,000	Overseas convenience store operations	100.0 [100.0]	2	–	–
SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. (Note 3)	China Beijing	Thousands of yuan 876,217	Overseas convenience store operations	100.0 [100.0]	–	–	–
SEVEN-ELEVEN (BEIJING) CO., LTD.	China Beijing	Thousands of U.S. dollars 44,000	Overseas convenience store operations	65.0 [65.0]	–	–	–
SEVEN-ELEVEN (CHENGDU) CO., LTD. (Note 3)	China Sichuan Province	Thousands of yuan 472,924	Overseas convenience store operations	100.0 [100.0]	–	–	–

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
SEVEN-ELEVEN (TIANJIN) CO., LTD.	China Tianjin	Thousands of yuan 200,000	Overseas convenience store operations	100.0 [100.0]	–	–	–
York Co., Ltd.	Tokyo Met. Koto-ku	3,000	Superstore operations	100.0	–	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
SHELL GARDEN CO., LTD.	Tokyo Met. Meguro-ku	400	Superstore operations	99.9 [10.0]	–	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
Marudai Co., Ltd.	Niigata Pref. Niigata-shi	213	Superstore operations	100.0 [100.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
K.K. Sanei	Miyagi Pref. Ishinomaki-shi	138	Superstore operations	100.0 [100.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
K.K. York Keibi	Tokyo Met. Chiyoda-ku	10	Superstore operations	100.0 [100.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with and contracts out various business operations.
IY Foods K.K.	Saitama Pref. Kazo-shi	75	Superstore operations	100.0 [100.0]	–	–	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
Seven Farm Co., Ltd.	Tokyo Met. Chiyoda-ku	13	Superstore operations	100.0 [100.0]	–	–	• The Company is entrusted with various business operations.
Peace Deli Co., Ltd.	Tokyo Met. Chiyoda-ku	100	Superstore operations	100.0 [60.0]	–	3	• The Company is entrusted with various business operations.
Ito-Yokado (China) Investment Co., Ltd.	China Beijing	Thousands of U.S. dollars 47,250	Superstore operations	100.0 [100.0]	–	–	–

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
Hua Tang Yokado Commercial Co., Ltd. (Note 3)	China Beijing	Thousands of U.S. dollars 98,721	Superstore operations	100.0 [100.0]	–	–	–
Chengdu Ito-Yokado Co., Ltd.	China Sichuan Province	Thousands of U.S. dollars 23,000	Superstore operations	80.0 [80.0]	–	–	–
IKEBUKURO SHOPPING PARK CO., LTD.	Tokyo Met. Toshima-ku	1,200	Department and specialty store operations	60.7 [60.7]	–	–	–
GOTTSUO BIN CO., LTD.	Tokyo Met. Toshima-ku	10	Department and specialty store operations	100.0 [100.0]	–	–	–
DISTRICT HEATING AND COOLING CHIBA CO., LTD.	Chiba-shi Chuo-ku	1,000	Department and specialty store operations	43.4 [43.4] (18.2)	–	–	–
Akachan Honpo Co., Ltd.	Osaka-shi Chuo-ku	3,780	Department and specialty store operations	95.0 [10.3]	–	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
Barneys Japan Co., Ltd.	Tokyo Met. Chiyoda-ku	4,990	Department and specialty store operations	100.0	–	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
Seven & i Food Systems Co., Ltd.	Tokyo Met. Chiyoda-ku	3,000	Department and specialty store operations	100.0	–	3	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with and contracts out various business operations.
THE LOFT CO., LTD.	Tokyo Met. Shibuya-ku	750	Department and specialty store operations	75.2	–	1	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration.
Nissen Holdings Co., Ltd. (Note 3)	Kyoto-shi Minami-ku	11,873	Department and specialty store operations	100.0 [100.0]	–	2	–
Nissen Co., Ltd. (Note 7)	Kyoto-shi Minami-ku	100	Department and specialty store operations	100.0 [100.0]	–	1	–
SCORE Co., Ltd.	Kyoto-shi Minami-ku	100	Department and specialty store operations	51.0 [51.0]	–	–	–
MARRON STYLE Co., Ltd.	Osaka-shi Kita-ku	10	Department and specialty store operations	100.0 [100.0]	–	–	–

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
Seven Financial Service Co., Ltd.	Tokyo Met. Chiyoda-ku	75	Financial services	100.0	1	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.
Seven Card Service Co., Ltd. (Note 3)	Tokyo Met. Chiyoda-ku	7,500	Financial services	98.9 [98.9]	–	2	• The Company is entrusted with various business operations.
Seven CS Card Service Co., Ltd.	Tokyo Met. Chiyoda-ku	100	Financial services	51.0 [51.0]	–	1	• The Company is entrusted with various business operations.
Bank Business Factory Co., Ltd.	Yokohama-shi Hodogaya-ku	250	Financial services	100.0 [100.0]	–	–	–
Seven Payment Service, Ltd.	Tokyo Met. Chiyoda-ku	475	Financial services	100.0 [100.0]	–	–	–
FCTI, Inc.	U.S. California	Thousands of U.S. dollars 19,836	Financial services	100.0 [100.0]	–	–	–
Seven & i Create Link Co., Ltd.	Tokyo Met. Chiyoda-ku	1,070	Others	100.0 [51.0]	–	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with and contracts out various business operations.

Name	Location	Capital or investments in capital (Millions of yen)	Principal business	Voting rights held by the Company (%)	Relationship		
					Interlocking officers		Business transaction
					The Company's officers (Persons)	The Company's employees (Persons)	
Seven & i Net Media Co., Ltd. (Note 3)	Tokyo Met. Chiyoda-ku	7,665	Others	100.0	–	2	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with and contracts out various business operations.
Seven Culture Network Co., Ltd.	Tokyo Met. Chiyoda-ku	1,650	Others	100.0 [100.0]	–	1	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with and contracts out various business operations.
Yatsugatake Kogen Lodge Co., Ltd.	Nagano Pref. Minamisaku-gun Minamimaki-mura	100	Others	100.0 [100.0]	–	–	–
K.K. Terre Verte	Hokkaido Kitami-shi	400	Others	99.0 [99.0]	1	1	• The Company provides various services and benefits, etc. in addition to those concerning management strategies, and receives consideration. • The Company is entrusted with various business operations.

Name	Location	Capital or invest-ments in capital (Millions of yen)	Principal business	Voting rights held by the Compa-ny (%)	Relationship		
					Interlocking officers		Business transaction
					The Compa-ny's officers (Per-sons)	The Compa-ny's employ-ees (Per-sons)	
SEVEN & i Financial Center Co., Ltd.	Tokyo Met. Chiyoda-ku	10	Corporate	100.0	1	3	• The Company deposits and borrows funds. • The Company is entrusted with various business operations.
112 other companies (Note 8)	–	–	–	–	–	–	–
(Affiliates accounted for using the equity method) TOWER BAKERY CO., LTD.	Saitama Pref. Koshigaya-shi	100	Domestic convenience store operations	20.0 [20.0]	–	–	–
SHAN DONG ZHONG DI CONVENIENC E CO., LTD.	China Shandong Province	Thousands of yuan 210,000	Overseas convenience store operations	35.0 [35.0]	–	–	–
Tenmaya Store Co., Ltd. (Note 4)	Okayama-shi Kita-ku	3,697	Superstore operations	20.1 [20.1]	–	–	–
DAIICHI CO., LTD. (Note 4)	Hokkaido Obihiro-shi	1,639	Superstore operations	30.0 [30.0]	–	–	–
Francfranc Corporation	Tokyo Met. Minato-ku	100	Department and specialty store operations	23.5	–	1	–
Tower Records Japan Inc.	Tokyo Met. Shibuya-ku	100	Department and specialty store operations	45.0	–	2	–
Nissen Credit Service Co., Ltd.	Kyoto-shi Minami-ku	100	Department and specialty store operations	50.0 [50.0]	–	–	–
TORANOTEC Ltd.	Tokyo Met. Minato-ku	3,094	Financial services	23.4 [23.4]	–	–	–
I ing Co., Ltd.	Tokyo Met. Chiyoda-ku	99	Others	29.7 [29.7]	–	1	–
PIA Corporation (Notes 4,6)	Tokyo Met. Shibuya-ku	5,942	Others	18.5 [9.2]	–	1	–
14 other companies (Note 8)	–	–	–	–	–	–	–

Notes: 1. Names of reportable segments are shown in “Principal business.”

2. In “Voting rights held by the Company,” the figures shown in square brackets (included in total) represent indirect ownership, while those shown in round brackets (not included in total) represent the ownership ratio of closely related persons.
3. Falls under the category of specified subsidiaries.
4. Has submitted a securities registration statement or annual securities report.
5. Deemed as a consolidated subsidiary based on substantial judgment.
6. Deemed as an affiliate based on substantial judgment.
7. The amount of debts in excess of assets in companies with excess liabilities that have significant impact on the consolidated financial statements is ¥27,786 million as of February 28, 2023.
8. Since other companies do not significantly affect the consolidated financial statements, information on them is omitted.
9. Revenues from operations (excluding intersegment revenues between consolidated companies) of 7-Eleven, Inc. account for over 10% of consolidated revenues from operations. Major profit/loss information, etc., of 7-Eleven, Inc. is as follows.

	Revenues from operations (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)	Net assets (Millions of yen)	Total assets (Millions of yen)
7-Eleven, Inc.*	8,763,887	368,544	267,312	2,644,996	6,173,779

* The amounts including SEJ Asset Management & Investment Company and its consolidated subsidiaries are shown.

5. [Status of employees]

(1) Consolidated companies

As of February 28, 2023

Name of segment	Number of employees	
Domestic convenience store operations	8,802	[3,414]
Overseas convenience store operations	50,769	[27,194]
Superstore operations	13,858	[40,726]
Department and specialty store operations	7,111	[10,942]
Financial services	1,904	[486]
Others	693	[317]
Corporate (shared)	1,017	[15]
Total	84,154	[83,094]

Notes: 1. The number of employees represents 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), and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

2. The number of employees for corporate (shared) is the number of employees of the Company.

(2) The Company

As of February 28, 2023

Number of employees		Average age	Average number of years of continuous service	Average annual salary (Yen)
1,017	[15]	43.3	15.3	7,763,397

Notes: 1. Most of the Company’s employees have been transferred from the Group companies. The average number of years of continuous service is the total of the number of years of continuous service at each Group company.

2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

3. Average annual salary includes bonuses.

(3) Labor union

In the Group, the Federation of Seven & i Group Labor Unions, Sogo & Seibu Labor Union, and other bodies have been organized.

There are no noteworthy matters that are pertinent to labor relations.

II. [Overview of Business]

1. [Management policies, business environment and issues to address]

   This section includes forward-looking statements and future expectations of the Group as of the fiscal year-end.

   (1) Basic management policies

   The Company is a pure holding company established on September 1, 2005. With 165 consolidated subsidiaries operating mainly in the distribution business, under the basic policies of “Trust and Sincerity” and “Responding to Change while Strengthening Fundamentals,” we will strive to quickly respond to customer needs, market conditions, and rapidly changing social circumstances while tirelessly reforming our operations and business structure. In addition, leveraging our global network and exceptional information capabilities as well as our strength in “food,” we will relentlessly pursue synergies as a global retail group unparalleled in the world that engages in multiple businesses, including convenience store operations as our core business, superstore operations, financial services, etc. to meet the needs of customers in various aspects of their lives. To this end, we will strive to maximize Group corporate value by strengthening governance and pursuing Group synergies while fulfilling our accountabilities to stakeholders as a listed company representing the Group.

   In addition, operating companies in the Group will fulfill their respective responsibilities within their assigned business scope and pursue profit growth and improve asset efficiency while exercising their independence.

   (2) Target performance indicators

   In order to sustainably increase corporate value, we have established financial targets according to our basic policies of increasing returns (profits) in excess of the cost of capital and enhancing our ability to generate cash flow. We have recently appointed independent external advisors to reevaluate our group strategy for maximizing medium- and long-term corporate value under the new Board of Directors and governance system transformed at last year’s annual shareholders’ meeting, and held a series of discussions on strategic options for the superstore operations and other operations, as well as on fundamental reforms of the Group’s business structure, based on the results of multifaceted analysis, including quantitative analysis of synergies under the current business structure and dis-synergies from structural reforms. Based on the decisions made in the reevaluation of the group strategy and the current progress of business performance, we have revised the targets of the “Medium-Term Management Plan 2021-2025” announced on July 1, 2021, as follows.

   (Key consolidated financial targets for year ending February 28, 2026 (FY2025))

	Initial targets for FY2025	Revised targets for FY2025	Difference from initial target
EBITDA	¥1 trillion or more	¥1.1 trillion or more	¥100 billion
Operating CF (excluding financial services)	¥800 billion or more	¥900 billion or more	¥100 billion
Free CF (excluding financial services)	¥400 billion or more	¥500 billion or more	¥100 billion
ROE	10% or more	11.5% or more	1.5%
ROIC (excluding financial services)	7% or more	8.0% or more	1.0%
Debt/EBITDA ratio	Less than 2.0 times	Less than 1.8 times	(0.2 times)
Adjusted debt/EBITDA ratio	Less than 2.2 times	Less than 2.0 times	(0.2 times)
EPS growth rate (CAGR)	15% or more	18% or more	3%

* Cash flows from operating activities (excluding financial services) is a management accounting figure based on NOPAT (excluding financial services).

Free cash flow (excluding financial services) is a management accounting-based figure (excluding financial services).

M&A-related investments are regarded as strategic investments and thus are excluded from cash flows from investing activities.

ROIC (excluding financial services) = {Net income + Interest expense x (1 – Effective tax rate)} ÷ {Shareholders' equity + Interest-bearing debt [average of fiscal beginning/end for both figures]}

Adjusted debt/EBITDA ratio is management accounting-based figure (excluding financial services).

Net debt/EBITDA (Net Debt: Interest-bearing debt + On-balance-sheet leases – Cash and cash equivalents and other adjustments)

EPS growth rate (CAGR) is estimated based on CAGR (compound annual growth rate) for the year ended February 28, 2021.

(3) Medium- to long-term management strategies

We have set forth in the "Medium-Term Management Plan 2021-2025" announced in July 2021: our corporate motto since our founding to be a sincere company that is trusted by all stakeholders; our basic stance of "contributing to local communities in Japan and overseas by always putting ourselves in our customers' shoes and providing new experiences and values;" and our vision for the Group in 2030 to be "a world-class global distribution group that leads distribution innovation through a global growth strategy with the 7-Eleven business as its core and the active use of technology," and steadily and speedily responded to changes in customer purchasing behavior against the backdrop of various changes in social structure. However, based on the recent Group Strategy Reevaluation, we have established the Ideal Group Image for 2030 as "A world-class retail group centered around its "food" that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology." We will continue to steadily implement various measures to achieve this new group vision for 2030.

(4) Business environment and management issues

Business conditions surrounding the Group are changing dramatically at an ever-quickening pace. In Japan, the need to purchase fresh foods and prepared foods close to home is increasing due to accelerating changes in the social structure, such as the aging of the population and the increase in single-person households and dual-income households. Moreover, following the global pandemic, customers' behavior patterns and values have changed, and their needs for food have become more diverse. On the other hand, the employment environment is expected to remain challenging in light of rising minimum wages and the expansion of social insurance application.

In the U.S., there are growing expectations for convenience store retailing to satisfy the need for fresh, healthy, and delicious food. There are also great opportunities worldwide in the area of providing safe, secure, and high quality daily "food" tailored to the characteristics of each region, and the establishment of business infrastructure to make this possible has become increasingly important. Meanwhile, social issues related to climate change, marine pollution, food loss, and sustainable procurement are becoming more serious, both in Japan and abroad. Being members of society, companies are facing the situation that they will have to put their efforts to solve these issues more seriously than ever.

Our superstore operations have strong position in the "food" field that ensures the Group's competitiveness, ranging from food product assortments, procurement capabilities and supplier networks to innovative product development capabilities, and private brands (Seven Premium). From the perspective of forecasting future macro and market trends as mentioned above, we believe that this "food" strength will become increasingly important as a source of competitiveness to support the growth of the Group's domestic and overseas convenience store operations.

As a result of reevaluating the Group's strategy in light of these changes in the business environment surrounding the Group, the Board of Directors has determined that, leveraging the strength in “food” that the Group has cultivated to date, we should focus on a growth strategy for our domestic and overseas convenience store operations, implement an optimal allocation of management resources, and grow into a global retail group centered on “food,” which will eventually help us maximize the Group’s medium- to long-term corporate value. Based on this management policy, we have established specific action plans for acceleration of growth strategies for the domestic and overseas convenience store operations and decisive implementation of fundamental reforms of the superstore operations, as well as a group-wide capital reallocation plan to ensure steady execution of these action plans. We have also decided to promptly implement the following measures in order to establish a system that allows us to monitor the progress of these plans and continuously review the optimal group business structure and strategic options.

We strongly believe that the implementation of the following measures is essential to realize our new “Group Vision for 2030” based on our corporate motto and basic stance.

Outline of growth strategies and specific action plans for domestic and overseas convenience store operations based on the strength of “food”

(i) North American convenience store operations

7-Eleven, Inc. will focus on the following four key strategic areas over the medium term to achieve business growth and efficiency improvement on a continuous basis.

1) By strengthening development and sales of original products (fresh food, proprietary beverages, and private brand products), increase the sales share of original products to 34% by FY2025, while continuing to improve merchandise gross profit margins and strengthen the value chain.
2) Further accelerate the growth of 7NOW delivery service by offering a value proposition to deliver high-quality, ready-to-eat products quickly (in approximately 28 minutes on average nationwide), aiming for sales of U.S.$1 billion in FY2025.
3) Complete integration with Speedway, realizing U.S.$800 million in synergies in FY2023.
4) Continue business growth in the fragmented U.S. market by increasing market share through both M&A and new store openings.

(ii) Global convenience store operations

7-Eleven International LLC, which is responsible for global convenience store operations outside of Japan and North America, plans to establish a network of 50,000 stores by FY2025 in regions other than Japan and North America, and aims to open stores in 30 countries and regions worldwide, including Japan and North America, by FY2030. Specifically, we will not only expand into new countries, but also increase profits by drawing out the growth potential of licensees in existing market areas through strategic investments in and loans to such licensees and through the use of aforementioned “food” strengths together with the business innovation methods that led to the restructuring and remarkable growth of 7-Eleven, Inc. in the U.S.

We have recently decided to make an investment and loan for the Vietnam business. In order to achieve accelerated profit growth in the global convenience store operations, which have a large room for growth, we will actively consider M&A, including strategic investments in and loans to these licensees.

(iii) Domestic convenience store operations

SEVEN-ELEVEN JAPAN CO., LTD. will continue to achieve stable growth by improving product attractiveness which supports the strength in “food,” i.e. ability to attract customers to its stores and earning power leveraging Seven Premium and other attractive original products. Furthermore, in order to continue to respond to the changes in social structure and customer values and behaviors in Japan, as mentioned above, we will tackle the development of new product lineups and new store concepts by utilizing our knowledge and network of business partners cultivated through the superstore operations.

On top of the traditional business of providing products and services at these stores, we aim to further strengthen our business competitiveness and accelerate profit growth through the development of new businesses such as 7NOW delivery and retail media.

(iv) Superstore operations

Whereas the superstore operations contributed to the entire Group by leveraging the strength in “food,” we were acutely aware of the need to improve their profitability and capital efficiency as a single business, centering on Ito-Yokado Co., Ltd., which deals in not only food product but also products other than “food.” Based on this awareness, we implemented various restructuring measures in FY2022 to complete the structural reforms that we had been promoting. Going forward, in addition to demonstrating the results of these structural reforms, we will: further accelerate the transformation of the business structure in line with the direction of the Group’s growth strategy centered on “food;” establish a management system that enables the superstore operations to stand on their own feet and resume growing as a single business; and promptly implement the following measures over a three-year period to achieve our targets of ¥55 billion in EBITDA and 4% or more in ROIC for the superstore operations in the Tokyo metropolitan area in FY2025.

1) Completely withdraw from the apparel business (Note 1) to focus on “food,” which is the center of the Group’s strategy.

2) Decide to close 14 stores of Ito-Yokado Co., Ltd. in addition to those stores closed as part of the previous business restructuring to put more focus on the Tokyo metropolitan area (Note 2).

3) Integrate and reorganize Ito-Yokado Co., Ltd., York Co., Ltd., and other superstore operations in the Tokyo metropolitan area to maximize synergies and operational efficiency in the Tokyo metropolitan area on which more focus will be put.

4) Realize an earnings structure capable of further profit growth through the development of strategic investment infrastructure (PCs/CKs (Note 3), online supermarket centers).

5) Hire external professionals to manage the transformation process, which is monitored by the Board of Directors and the Strategy Committee.

Notes: 1. Apparel business run by the Company.

2. Number of stores: 126 at the end of February 2023; and 93 at the end of February 2026 (plan)

3. Process Centers, Central Kitchens

Deepen relationships with customers through integrated retail and financial services centered on 7iD

To strengthen contact points with customers, who represent a valuable foundation for the entire Group, we are promoting digital transformation (DX) to create new experiences and values. We have thus far been working to strengthen relationships with each customer by utilizing data provided by customers for CRM (Customer Relationship Management) and other purposes based on 7iD, the Group’s common ID platform, and to enhance the functionality of services such as the last mile. We will also strive to create new value by utilizing 7iD in the areas of financial services and retail media.

In particular, in order to respond promptly to customer needs by ensuring a sense of unity and consistency as a group in the execution of the financial strategy, and to pursue synergies through integrated operation of the banking and non-banking businesses, we consider it desirable to consolidate the Group’s financial services into Seven Bank, Ltd. and accelerate its growth. Under this policy, we have decided to put Seven Card Services Co., Ltd.’s credit card and electronic money businesses under the control of Seven Bank, Ltd. By operating together, the two companies will be able to offer a lineup of multiple payment methods, investment and procurement methods that individual customers demand under an integrated promotion structure, enabling them to meet customers' expectations for financial services more quickly than ever before. Going forward, the two companies will integrate and expand the know-how and expertise they have accumulated to date, while reorganizing various financial services from the customer's perspective and using 7iD to develop financial services that are unique to the distribution and retail group and provide unparalleled experiences.

New measures to be taken by the Group to ensure the implementation of the above Group's growth strategies and action plans

Capital reallocation
We will strive to increase operating cash flow through group business growth, particularly in the convenience store operations; push ahead with fundamental reforms in key structural reform areas through a review of our business portfolio; examine the best owners; and work for capital recovery. We intend to concentrate the cash flow generated on strategic investments in the convenience store operations, which is the Group's growth driver, in accordance with capital efficiency-based investment decisions to promote accelerated growth.

With respect to shareholder returns, we plan to flexibly implement share buybacks to improve return on equity (ROE) and net income per share (EPS), while striking a balance with strategic investments in the convenience store operations. In conjunction with the recent upward revision of the targets of the medium-term management plan, the Company has set its shareholder return policy as follows: "The Company will implement shareholder returns targeting a total return ratio (cumulative) of 50% or more*, while steadily and continuously increasing the dividend per share."

* Cumulative total return ratio from FY2023 to FY2025

Solid management foundation to support our strategy

(i) Realizing a sustainable society

To date, the Group has been proactive in its efforts to resolve social issues and enhance corporate value, both of which are fundamental to management. Having chosen out of all social challenges "Seven Material Issues" which are particularly relevant to the Group's business domain, we are endeavoring to address them by linking them to the 17 SDGs (United Nations "Sustainable Development Goals"). Through these efforts, we are working through our core businesses to create a new business model that takes social issues and priority issues as its starting points.

"Seven Material Issues"

- Create a livable society with local communities through various customer touchpoints
- Provide safe, reliable, and healthier merchandise and services
- Realize decarbonization, circular economy, and society in harmony with nature, through environmental efforts
- Achieve a society in which diverse people can actively participate
- Improve work engagement and environment for people working in Group businesses
- Create an ethical society through dialogue and collaboration with customers
- Achieve a sustainable society through partnerships

In May 2019, we announced our "GREEN CHALLENGE 2050" environmental declaration, which sets four key themes: reduction of CO_2 emissions, measures against plastic, measures against food loss and for food recycling, and sustainable procurement. As we address these themes, we are working to realize a sustainable society in cooperation with customers, local communities, business partners, and other stakeholders. In line with the strengthening of our global expansion, we are also promoting CO_2 emission reduction, plastic-related measures, etc., in collaboration with 7-Eleven licensees around the world.

In addition, communities are becoming increasingly concerned about the human rights efforts of companies as their activities become more global in nature. The Group has been working to protect human rights under its Corporate Action Guidelines. We have established the Seven & i Group Human Rights Policy, which is based on the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the 10 principles of the U.N. Global Compact, and the U.N. Guiding Principles on Business and Human Rights. We will continue encouraging employees, supply chain partners, and local communities to work with us as we step up our efforts to respect human rights.

(ii) Further strengthening corporate governance

With respect to corporate governance, to date, we have been constantly striving to improve and expand corporate governance based on dialogue with all stakeholders. We are further improving the diversity of the Board of Directors, and increased the number of independent Outside Directors to a majority. This is to build a governance system suitable for aiming to become a world-class global retail group, which is our Group image for 2030. Furthermore, in order to strengthen and stabilize our governance system, we recently appointed an additional Representative Director of the Company, making a total of three, appointed a CxO (Chief x Officer) for each corporate function, and appointed a general manager for each business segment and business area.

We also established the Strategy Committee, consisting solely of independent Outside Directors, for the purpose of providing advice to the Board of Directors on how to improve the Group’s corporate value over the medium to long term. The committee will continue to monitor the progress of the Group’s key strategies and conduct comprehensive and objective analysis and verification of the optimal Group business structure for the realization of those strategies.

Our aim is to achieve sustainable growth in the global market and increase corporate value over the medium to long term. The Board will continue making appropriate and important decisions, conducting highly effective oversight, and appropriately fulfilling roles and responsibilities to further strengthen corporate governance.

(iii) Human resource measures linked to management strategy

Human resources are the source of the Group’s growth potential. In particular, we believe that management measures and human resource strategy are inseparable and must be linked in order to promote DX and global strategies and enhance both social and corporate value. Accordingly, we pursue a human resource measures that is integrated with our management strategy, and we will not only seek human resources with specialized knowledge and skills from outside the Group but also actively develop them within the Group. In developing human resources, we are guided by the concept that a company grows as its people grow. With this in mind, we aim for mutual growth between employees and the Group by actively providing growth opportunities to employees and developing human resources who voluntarily continue learning and improving their skills at all times.

In addition, we will work to create workplaces where everyone can work comfortably by reforming work styles and improving productivity. We will create an environment that recognizes diversity and tolerates differences among workers and a system that supports flexible work styles. We will focus particular attention on fostering an organization and corporate culture where women and other diverse human resources can play active roles, taking into consideration the nature of the Group’s main business, which welcomes many female customers.

Furthermore, we established the Engagement Improvement Committee, consisting of the presidents of each Group operating company, to formulate and monitor action plans to improve employee engagement. We will continue promoting these activities in the belief that increased employee engagement and desire to contribute will revitalize the organization and strengthen the competitiveness of the Group.

The Group is committed to achieving sustainable growth by enhancing corporate value over the medium and long terms. To this end, we will continue strengthening Group synergies to further expand the Group's strengths while sincerely listening to the opinions of all stakeholders and providing more value and appropriate returns on profits.

2. [Risk factors]

The Company strives to appropriately manage various risks related to business continuity in order to maintain and advance the Group in perpetuity while ensuring sound management and business efficiency. Among the risks identified through these efforts, those that may have a significant influence on the decisions of investors based on the likelihood of the risk materializing, the timing of the risk, and the degree of impact are described below. However, these do not cover all risks related to the Group; there are risks other than those listed that are difficult to foresee. Also, these risks are not independent of each other, and certain events may lead to an increase in various other risks. This section includes forward-looking statements and future expectations of the Group as of the submission date of the Group's Securities Report.

<Definition of risk>

Under the Group's risk management process, risks to be managed are divided into four major categories: governance risk, operational risk, B/S risk, and business risk. For the purpose of disclosing information that helps investors make decisions, the Group's Securities Report classifies risk into strategic risk and operational risk, each of which is defined as follows.

Strategic risk:
Risk that may affect business strategies significantly, or risks that the Group dares to take within an affordable range. It is in consideration of the degree to which results achieved by planning and executing business strategies are above or below expectations, as well as the likelihood of occurrence.

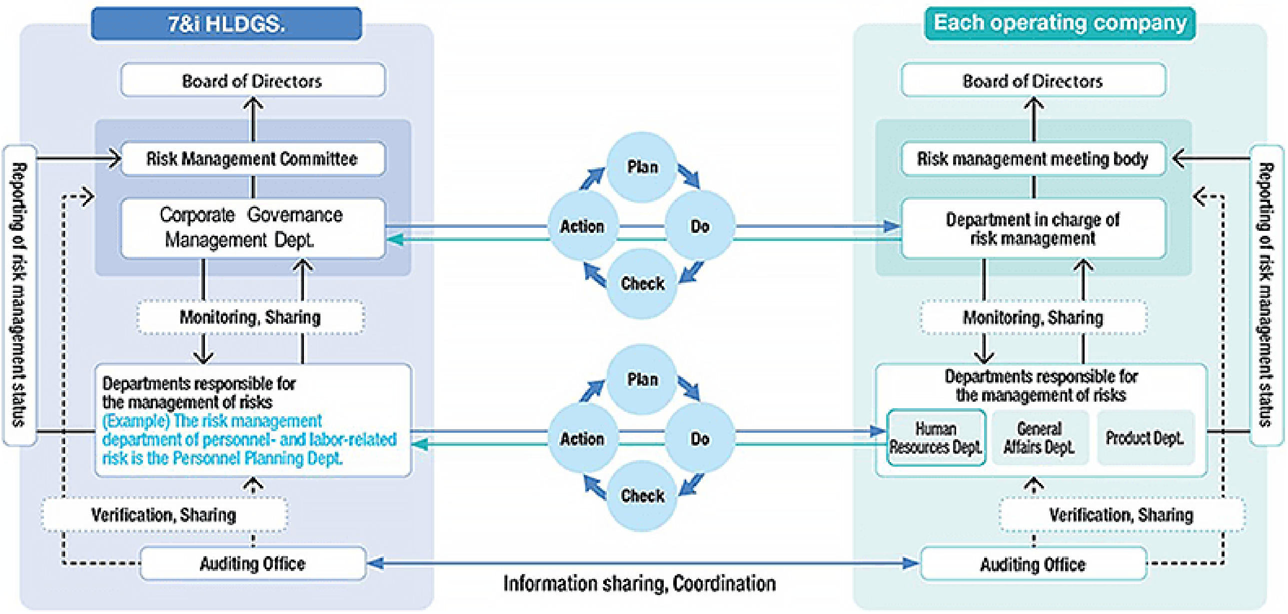
Operational risk:
Risk that should be avoided or reduced in consideration of the losses arising from operations that support the execution of strategies, as well as the likelihood of occurrence.

<Group risk management system>

The Company and its operating companies have established a Risk Management Committee, with the departments that oversee the overall risk management of the respective companies as the secretariat. As a general rule, the Risk Management Committee meets once every six months to receive reports on the risk management status of the respective companies from the departments responsible for the management of risks, to comprehensively identify, assess, and analyse risks and discuss measures, and to determine the future direction going forward.

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

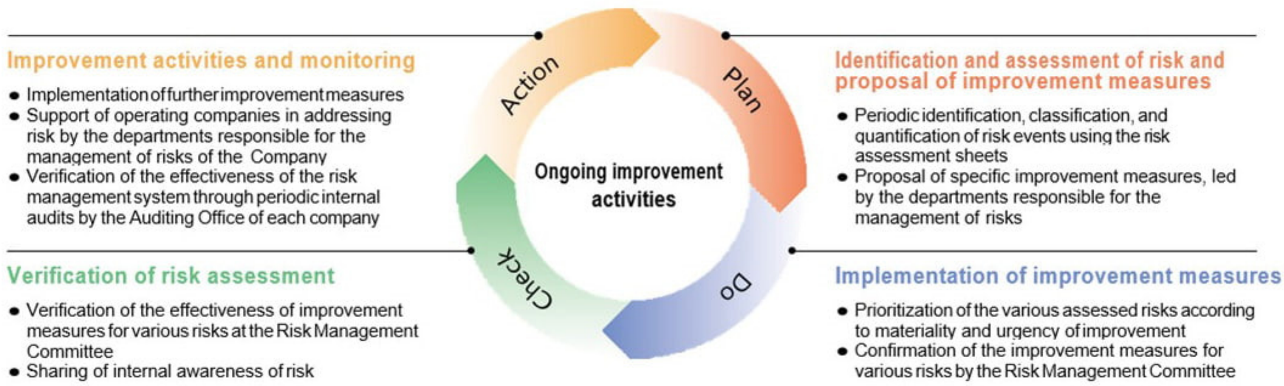
Group Risk Management System



<PDCA for risk management>

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

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



< Major Growth Strategies for the Group >

The Group has established its main business strategies around our strengths in food, as follows.

- North America Convenience Store Operations
- Global Convenience Store Operations
- Domestic Convenience Store Operations
- Superstore Operations
- Financial Services

<Major Risks>

- ■ Strategic Risks

1. Risks related to growth strategies

Based on the recent Group Strategy Reevaluation, the Ideal Group Image for 2030 was established as “A world-class retail group centered around its "food" that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology.” To steadily execute various measures aimed at the achievement of this new Ideal Group Image for 2030, a Strategy Committee composed solely of independent outside directors was established to create a system to monitor progress of the Group’s strategic priorities and continue to review the optimal group structure and strategic alternatives. The Strategy Committee monitors progress of the Group’s strategic priorities and continuously performs objective and comprehensive analysis and review on the optimal group structure and strategic alternatives (IPO, spin-off, etc.), and provides advice to the Board of Directors on strategies to increase the Group’s medium- to long-term corporate value.

With regard to North American convenience store operations, 7-Eleven, Inc. that is the centerpiece of the Group’s overseas convenience store operations is strengthening original products, accelerating digitalization and delivery business, creating synergies between 7-Eleven, Inc. and Speedway, and expanding business through M&A and the opening of new stores.

With regard to original products, steps are being taken to enhance the quality and lineup of original products with a high gross profit margin by communicating advanced product development knowledge and manufacturing know-how from SEVEN-ELEVEN JAPAN CO., LTD., modernizing facilities for the purpose of enhancing the cooking manufacturing capabilities of dedicated factories, and strengthening the value chain of original products. Product sales in stores are operated through a logistics network or supply by suppliers, and increased product transportation costs and decreased profitability are anticipated in the event of disruption, etc. in logistics and transportation networks. As a result, this could bring about weakening of the value chain due to the inability to perform product development, store sales and swift delivery of products, and obstruction of continuous business growth due to reduced sales, affecting the performance and financial standing of the Group. With the strengthening of development and sales of original products, it is anticipated that the Company’s brand value will be harmed in the event of food safety problems occurring. Additionally, cases where trademarks and other intellectual property rights related to original products cannot be appropriately obtained, maintained and protected may lead to a decrease in sales due to a decline in customers’ consumer confidence, affecting the performance and financial standing of the Group.

With regard to digitalization and the delivery business, new experience value and convenience are provided through the “7Rewards(loyalty program)” combining real stores with the speed and convenience of digital and e-commerce platforms, but retail competition is intense, and it is possible that differentiation from rival companies cannot be achieved if new convenience based on constantly changing customer needs and expectations cannot be provided, affecting the performance and financial standing of the Group. Furthermore, the “7NOW” delivery service utilizing DX is also being promoted. Over 50% of America’s population is covered within 2 miles of stores, realizing a value proposition of swiftly delivering nationwide within an average of 28 minutes, and a growth plan providing diverse services in future is being formulated. To achieve these, we will partner with other companies and make investments in additional digitally supported products and services to satisfy customers’ needs, by the performance and financial standing of the Group may be affected if the relevant customer support technology cannot be manufactured, modified or developed in a timely manner.

We expect the integration synergies between 7-Eleven, Inc. and Speedway to bring about a variety of benefits such as complementary store infrastructure and store provision, and strategic opportunities. In addition to acquiring shares and other equity stakes in multiple companies operating convenience store business in 2021 and fuel retail business mainly under the Speedway brand from Marathon Petroleum Corporation (MPC) (excluding, however, the fuel retail business, etc. for direct dealers within MPC’s retail division), we concluded a gasoline supply agreement with MPC for the next 15 years for the acquired stores. The performance and financial standing of the Group may be affected by the recording of a large amount of goodwill or impairment loss if the growth opportunities and integration synergies from the business acquired in the transaction cannot be achieved as initially anticipated in the above business after integration due to changes in the business environment or competitive conditions, or if additional and unexpected expenses pertaining to the integration arise.

The Company has a large amount of debt including a large amount of borrowings from financial institutions for the purpose of procuring the necessary funding for the above transaction. If the lowering of leverage cannot be swiftly achieved through the initially anticipated profit generation or disposal of other assets, the credit rating may be lowered, and this may result in the conditions of refinancing of existing debt and new borrowings being affected. Furthermore, some of the Group’s debt are subject to financial covenants, and the financial standing of the Group may be affected by the early repayment of debt, etc. in the event these financial covenants are violated.

7-Eleven, Inc. operates gasoline retail and wholesale business attaching gasoline stands to stores. With regard to risks in the gasoline business, the risk of decreased profitability associated with fluctuation of gasoline retail prices is hedged through vertical integration of the supply chain, etc., but the performance and financial standing of the Group may be affected by reduced sales or increased cost ratio due to unforeseen changes in the business environment such as sudden price fluctuations. Furthermore, a decrease in gasoline demand in the US market due to the impact of policies on automobile exhaust emission regulations in the US and regulation of sales of gasoline vehicles in the medium to long term in some states, and the spread of electric vehicles may bring about a decrease in the volume of gasoline sales, affecting the performance and financial standing of the Group.

In North American convenience store operations, we will continue our policy of continuous business growth through M&A and opening of new stores, but the performance and financial standing of the Group may be affected by the impact on business of intensification of competition or changes in environmental regulation, difficulties securing personnel or litigation.

With regard to global convenience store operations, 7-Eleven International LLC was established in 2021 to promote the implementation of global strategy through strengthening of coordination between 7-Eleven, Inc. and SEVEN-ELEVEN JAPAN CO., LTD.. We aim to establish a network of 50,000 stores by FY2025 in regions other than Japan and North America, and open stores in 30 countries and regions worldwide, including Japan and North America, by FY2030. We will not only develop new countries, but also organically combine the know-how developed by 7-Eleven, Inc. and SEVEN-ELEVEN JAPAN CO., LTD. to date including the strength of “food” through strategic investment and financing of licensees, and seek to expand profits by eliciting the potential growth of licensees. Furthermore, we will correctly identify markets with good conditions for entering new markets, and provide trusted partners with the necessary specialized knowledge and resources for licensees, accelerating the global growth strategy in cooperation with partners in order to increase the value of the 7-Eleven brand. Some of the risks pertaining to licensees in overseas areas are anticipated to be political and social instability in countries where we operate, economic fluctuations such as exchange rates and trade, and revision and strengthening of legal regulations including the environment and data protection. The performance and financial standing of the Group may be affected by these factors, or if the Company’s growth capacity is restricted and the initially anticipated effect or profit is not realized.

With regard to the Domestic convenience store operations, SEVEN-ELEVEN JAPAN CO., LTD., which is responsible for core Domestic convenience store operations within the Group, will focus its efforts to strengthen the area of “foods” centered on “Seven Premium”, develop new store formats to adapt to changes in social structure, build new businesses using in-store products and services as a base, further enhance business competitiveness and accelerate earnings growth. In Japan, we are seeing not only the effects of changing lifestyles and diversity of values but also drastic changes in social structure, including demographics, which are expected to result in significant changes in forms of consumption. In response to these various changes, we will create new store format concepts that enable us to bring together a full line-up of fresh, frozen, and new product categories, and adapt to the change of the customer by blending the networks and knowledge that we have cultivated in the convenience store operations and the Group’s food business. In particular, in the new-concept stores we will strengthen the “Traceable Vegetables,” “Frozen Food (EASE UP)” brands developed by Ito-Yokado Co., Ltd., as well as “Seven Premium” and the new brand of “SEVEN THE PRICE.” This will enable us to adapt further to demand for food, even in a changing society. We will also strengthen products and sales promotions based around the theme of “co-creation” in preparation for the 50th anniversary of the founding of the Company, and work to ensure that our vision permeates the Group. In addition, we will seek to attract customers by holding fairs with original fresh food, and work to develop categories such as sweets and processed food, while taking steps to revitalize local communities. Moreover, we aim to achieve further growth by displaying the necessary nutritional information on our products in consideration of greater health consciousness among customers in all generations, including senior citizens, children, and working women. Through stores that utilize the “7NOW” delivery service and retail media to leverage our strengths in food, we will bolster new business on the foundation of our products and services. We have begun entering the advertising business as part of the Group strategy and we plan to achieve significant growth in retail media, primarily through app advertisement revenue. Through these measures we seek to establish a new direction for expansion and to accelerate overall earnings growth, but customer needs change unceasingly, and in the event that we are unable to provide new value, the performance and financial standing of the Group could be affected.

In the Superstore business, Ito-Yokado Co., Ltd. will accelerate the tightening focus on food, on which the Group strategy hinges, by withdrawing completely from the own-apparel business, consolidating operations in the Tokyo metropolitan area, and establishing strategic infrastructure that includes processing centers. In addition to store closures associated with the previous restructuring, another 14 stores will be closed. In relation to these initiatives, we assume that external experts in transformation will be appointed to fully implement transformative measures and to manage the process.

Through the above-mentioned major initiatives, we will consolidate the business, generate synergies in the Tokyo Metropolitan focus area, and maximize operational efficiency. At the same time, we will establish strategic infrastructure such as processing centers, central kitchens, and online supermarket centers to build an earnings structure that will enable us to achieve further sustainable growth. However, in the event that the build-out of central kitchens, processing centers and other common Group infrastructure and the transformation to large-scale centers does not proceed as expected, leading to the effects originally anticipated not being realized and strategic objectives not being achieved, the performance and financial standing of the Group could be affected.

For the Group’s online supermarket operations, which constitute the growth strategy for the Superstore business, we believe that it will become increasingly important going forward to respond to changing lifestyles and diversity of values by addressing the “last mile” issue, enabling delivery to the customer at a time and place of their choosing, rather than requiring them to visit the store. By leveraging our ownership of stores and the ability of the Group to provide safe, secure, and fresh products, we will expand the online supermarket business by shifting to large-scale centers, use a dedicated app to extend our points of contact with customers and improve the buying experience, and take on the challenge of providing a variety of ways for customers to receive the product, such as by enabling it to be picked up in store, or at in-store lockers. In mobile supermarkets, we will work with TOKUSHIMARU Inc. to provide a purchasing experience to people having difficulties with day-to-day shopping, thus fulfilling our social role and purpose, while working to enhance Group value.

However, customer needs change unceasingly. Moreover, competitors each have their own customer bases and are also utilizing new technology to support their response to the “last mile” issue. If in such circumstances the Group is unable to maintain its current level of competitiveness, the performance and financial standing of the Group could be affected by lower sales and other factors.

In Financial Services, in addition to continuing to expand our ATM platform business, we will focus on the e-money and credit card businesses. As part of these efforts, we made the decision to restructure Financial Services by transferring the operations of Seven Card Service Co., Ltd. to Seven Bank, Ltd. in order to pursue synergies through the integrated management of banking and non-banking businesses. At the same time, in accordance with the Group financial strategy we will develop and roll out unique financial products and services that are only possible through retail, based on 7iD, an ID that customers can use across the Group, and strengthen our ability to execute and drive restructuring and other changes to deepen relationships with our customers through a fusion of retail and finance.

The Group has put in place a variety of information management rules in relation to its financial and payment systems, as well as devising security measures. In particular, given the importance of the information provided to Financial Services by customers, we not only adhere to Group standards but also establish rules for operating companies based on laws and regulations and guidelines relevant to the business area, and strive to build and operate adequate measures.

Nevertheless, even if such measures have been implemented, external attacks are becoming more diverse and sophisticated with every passing day, and it is impossible to completely avoid the risk that important information is leaked externally or falsified following human errors within the Group or deficiencies in the management of subcontractors. Depending on the scale of the damage, the Group could be subject to demands for damages from customers, suppliers, or other parties, or suffer a loss of loyalty, which could affect the performance and financial standing of the Group.

DX underpins the above-mentioned growth strategy, and we have formulated a Group DX strategy map, determined the areas in which we want to engage across the Group, and are moving ahead with the required measures. In terms of DX measures that protect our customers and in turn the Group as a whole, while working to establish common Group security measures and common Group infrastructure on the one hand, on the other hand we are taking steps to build a foundation with the aim of improving operational efficiency and generating Group synergies. In preparation for further strengthening the structures that support the DX strategy, we are working continuously to recruit highly specialized human resources and to enhance the digital literacy of existing personnel.

In particular, we believe that Group CRM is one of important DX measures that will increase lifetime value through broader and deeper contact with customers, which is made possible by the use of an ID (7iD) that customers can use across the Group. As of the end of February 2023, there were approximately 28 million 7iD members. We believe that this is the result of having been able to continuously provide new customer experience value, such as by addressing increasingly diversified payment methods, and providing convenient coupons, primarily through the 7-Eleven app. Going forward, we will continue to optimize our product lineup by pursuing more points of contact with our customers, and use the Group’s 7iD as a means of spreading a worldview in which shopping becomes even more convenient as a result of such initiatives as enabling customers to receive their items at a time and place of their choosing. Moreover, by also linking with our financial strategy, we will enable increases in the lifetime value of the customer. Our objective is to achieve 50 million 7iD members by FY2025.

However, competitors are each also working continuously to strengthen the services provided to their member base and others. If in such circumstances the Group is unable to maintain its current level of competitiveness, the performance and financial standing of the Group could be affected by failures to hit targets for registered members, reductions in the contribution made by Group CRM to consolidated sales, and other factors.

2. Existing business risks

<Product procurement and price fluctuation risks>

For the business activities of the Group, it is essential that we are able to purchase products and raw materials, etc. of adequate quality, in sufficient quantity and at the required time, and we seek to diversify procurement so that we are not overly dependent on specific regions, suppliers, products, technologies, or other factors. In particular, there is a possibility that rising temperatures, changes in precipitation and weather patterns, and other forms of climate change will lead to reductions in the yield and quality of agricultural, livestock and marine products, as well as changes in fishing grounds and regions suitable for the cultivation of agricultural products. In response to such potential changes we are making efforts to diversify procurement and to work with primary producers to improve yields, but in the event that rising temperatures, changes in weather patterns, and other forms of climate change, or the suspension of factory production due to the spread of infectious diseases leads to the interruption of some of procurement routes, the business of the Group could be affected.

For some of the products handled by the Group, purchasing prices may fluctuate in response to external factors such as deteriorating public safety and social disorder resulting from volatility in the political and economic situation, terrorism, or conflicts in the country or region of production or the country or region in which the business operates, as well as disruption to production structures caused by the spread of infectious disease, changes in demand caused by the weather or by the impact of fluctuating prices for crude oil and other raw materials. In future, purchasing prices could also suffer from the effects of soaring prices for energy, including electricity, caused by such factors as regulation arising from climate change, public policy, and disputes. In the event that such fluctuations in purchasing prices occur, the performance and financial standing of the Group could be affected.

<Business model risk>
The Group not only conducts its main businesses in Japan, but also operates in other regions around the world. For that reason, in the event that the economic situation in Japan or in other countries and regions in which the business operates deteriorates due to business conditions or trends in consumer spending, this could lead to a weakening of purchasing power or of the tendency to consume among customers, which could in turn affect the performance of the Group. On this point, in order to strengthen product development and product lineups to take regional characteristics into account and to respond accurately to customer needs, the Group develops products through team merchandising with manufacturers and vendors in a range of business fields, in accordance with its sales strategy. In addition, via the apps of each company we make effective use of sales promotions by collecting and analyzing a variety of data related to the purchases of customers registered with the 7iD common Group ID. Nevertheless, in the event that unexpected changes in consumer behavior occur as a result of economic policies, abnormal weather, the spread of infectious diseases, or other factors, the performance and financial standing of the Group could be affected.

In order to respond accurately to changes in the needs of customers, the Group works to promote the development of higher-quality and more appealing merchandise, strengthen communications with customers, and improve productivity.

However, employment situation in Japan remains challenging. The working population is falling due to the declining birthrate and aging population, and the operating environment for stores is becoming increasingly volatile. In such circumstances, downward pressure on the prices of products and services arising from price competition with competitors, or exposure to increasing upward pressure on expenses such as labor costs could weaken the competitiveness of the Company, and affect the performance and financial standing of the Group.

3. Environmental risk

Hitherto, the Group has responded to a variety of changes in the social environment by seeking to help its customers enjoy fulfilling and convenient lives by providing them with valuable products and services. On the other hand, a range of environmental problems have begun to emerge, including global climate change and the issue of plastic pollution. To address such changes in society, the Group has drawn up the “GREEN CHALLENGE 2050” environmental declaration, in which it designates decarbonization, a circular economy, and a society in harmony with nature as its vision for society, and is proceeding with initiatives to accomplish these goals. For the particularly pressing issue of climate change, the Group aims to achieve net zero emissions of CO2 by 2050, has endorsed the TCFD recommendations and began disclosing such information, and participates in RE100 and other programs. To address the issue of biodiversity, the Group also joined the TNFD forum in January 2023.

Conversely, the Group is subject to the application of a variety of environmental laws and regulations dealing with climate change measures, including reductions in energy usage and CO2 emissions, food waste, recycling of containers and packaging made out of plastic and other materials, and treatment of waste. In future, it is possible that regulations derived from such laws will be strengthened, for example regulations controlling greenhouse gas emissions may be bolstered as a climate change measure, or new laws and regulations and policies, such as carbon taxes, may be introduced. For the Group, compliance with laws and regulations could lead to additional costs and constrain its business activities. In addition, fluctuations in the cost of energy such as gas and electricity resulting from strengthened regulations could increase expenses associated with store operation, and affect the performance and financial standing of the Group.

4. Risk related to human rights

With the increasing globalization of corporate activities, there is growing social interest in the human rights efforts of companies The Seven & i Group has been committed to respecting human rights based on its Corporate Action Guidelines and Sustainable Action Guidelines for Business Partners. In October 2021, we established the Seven & i Group Human Rights Policy based on the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. We will also strive to prevent or mitigate adverse human rights impacts by establishing a human rights due diligence mechanism.

However, any deviation from these policies could lead to a decline in trust in the Group among customers and business partners, which may adversely affect the performance and financial standing of the Group.

5. Personnel- and labour-related risk

The Group conducts its main businesses in Japan, which faces the social challenge of a shrinking workforce due to an ageing, declining-birthrate population. We also have many stores in Japan. In addition to attracting sufficient numbers of employees for each store, we aim to help our various human resources feel motivated to demonstrate their abilities. To this end, it is important that we support each employee’s voluntary efforts for self-improvement and link this support to our improved productivity as a company. In developing human resources, we are guided by the concept that a company grows with its human resource growth. With this in mind, we aim for mutual growth between employees and the Group by actively providing growth opportunities to employees and developing human resources who voluntarily continue learning and improving their skills at all times. We are also committed to promoting diversity and inclusion and work actively to create environments that welcome diversity and differences among workers while introducing flexible work styles.

However, we may not be able to achieve these objectives due to various factors, such as revisions of laws and regulations or systems, which may affect the performance and financial standing of the Group. Each of the Group’s businesses essentially requires human resources with good communication skills when dealing with customers and other stakeholders. In the future, however, intensifying competition for human resources in each business field and region may lead to increases in employee compensation and wage levels and make it difficult to attract suitable personnel. This could result in an outflow of human resources, which may impair the efficiency of our business operations from a long-term perspective and thus affect the performance and financial standing of the Group.

6. Market risk (currency, interest rate, etc.)

The Group engages in derivatives transactions, such as those involving forward foreign exchange contracts and swaps, to optimize future cash flows, mitigate the risk of volatility in foreign exchange rates and interest rates, and reduce financing costs. However, fluctuations in interest rates have an impact on interest receipts and payments and on the value of financial assets and liabilities, and could affect the performance and financial standing of the Group.

Assets and liabilities of overseas group companies denominated in local currencies are converted to Japanese yen for the preparation of consolidated financial statements. Some of the products sold by the Group are products developed overseas that are affected by changes in foreign exchange rates, and so such fluctuations could affect the performance and financial standing of the Group.

7. Legal risk

The Group conducts its businesses in Japan, the United States, and other countries around the world and complies with the laws and regulations of each country and region with respect to consumer protection, fair competition, food sanitation, labor, the environment, and the like and obtains the necessary permits and approvals. We pay close attention to any regulatory changes and have systems in place to appropriately implement the necessary measures. However, in the event of an unfavorable judgment against the Group by an administrative or judicial body due to differences in interpretation of relevant laws, the Group may incur surcharges, compensation for damages, or other financial burdens, and its brand image may deteriorate. Any of these events may affect the performance and financial standing of the Group.

In addition, the introduction of stricter laws and regulations or changes in the interpretation of laws and regulations by administrative or judicial bodies in the direction of stricter interpretation may increase the cost of compliance, which may affect the business activities, performance and financial standing of the Group.

The Group is also subject to various laws and regulations in each country with respect to opening new stores. In Japan, for example, we are subject to laws and regulations based on the Large-Scale Retail Stores Location Law, City Planning Act, and Building Standard Law. We always comply with these laws and regulations when opening new stores. However, it may become difficult to open new stores or renovate existing ones as originally planned due to revisions of laws and regulations or changes in regulations set forth by each prefecture, and new costs may be incurred to deal with such revisions, which may affect the performance and financial standing of the Group.

8. Asset risk (non-current assets etc.)

The ratio of property, plant and equipment and goodwill, etc. to consolidated total assets is high, and revenue management is implemented rigorously for stores, etc.

However, in the event that it becomes necessary to record impairment losses going forward due to deterioration in the profitability of stores, etc., and significant declines in the market value of assets owned, the performance and financial standing of the Group could be affected.

■ Operational Risks

9. Information security risk including personal information

In order to provide customers with new value and services in each of its businesses, beginning with retail and financial services, the Group handles important information required for its operations, which includes personal information or confidential commercial information from customers, suppliers, and other parties. To ensure that such information is handled correctly, regulations pertaining to information management have been put in place for the Group as a whole. In addition, each company has appointed an information management supervisor, established an information management committee to maintain important information, and taken an integrated approach to personnel, organizational, physical, and technical safety measures.

In response to information security threats such as cyber attacks, the Group revises security policies and guidelines to address changes in the environment. While continuing to expand personnel with expertise in security, the Group conducts specialized training by rank in order to instill security awareness within the organization, and is working on rolling out a framework for information security management systems and other initiatives. To reinforce cybersecurity measures in particular, a specialist organization responsible for cybersecurity has been established, which conducts security reviews of information systems and their operation. It also strives to further strengthen cybersecurity to prevent incidents by using third-party organizations to diagnose vulnerabilities and monitor for illicit access, addressing vulnerabilities, delivering targeted threat email training, and other measures.

The Group Security Management Office, which manages matters pertaining to Group information security, is working in concert with the promoting secretariat of each company to ensure that operations are being conducted in accordance with the ISO27001 international standard, and in compliance with the Act on the Protection of Personal Information.

However, even if such measures have been implemented, external attacks are becoming more diverse and sophisticated with every passing day, and it is impossible to completely avoid the risk that important information is leaked externally or falsified following human errors within the Group or deficiencies in the management of subcontractors. Depending on the scale of the damage, the Group could be subject to demands for damages from customers, suppliers, or other parties, or suffer a loss of loyalty, which could affect the performance and financial standing of the Group.

10. Business continuity risk (including disasters, pandemics, and infectious diseases)

In addition to the Group head office and stores, etc. for the main business in Japan, the Group operates locations all over the world. Furthermore, because retail, which is the core business of the Group, acts as a lifeline to local communities, in the event of damage being caused by a major earthquake, wind, water, or other phenomena, the Group is required to first protect the lives and ensure the safety of customers, employees, and others, and then to work to restore store operations as quickly as possible. The Company has prepared written measures to deal with a major earthquake, wind and water damage, the eruption of Mount Fuji, COVID-19, and other incidents. The Company and its consolidated subsidiaries together participate in meetings to discuss measures before such incidents actually occur, and operate mechanisms to investigate such matters as the projected level of damage, the establishing of measures headquarters, and decisions pertaining to business continuity.

However, natural disasters such as earthquakes, tsunami, typhoons, floods, and abnormal weather events occurring frequently as a result of climate change, and man-made disasters such as fires, power outages, nuclear power plant accidents, war, and acts of terrorism, could lead to interruptions in supply chains, the discontinuation of store operations, and other suspensions of business, as well as substantial costs for the repair of facilities. In the event of a major hindrance to the operations of the Group occurring, the performance and financial standing of the Group could be affected. Particularly in the event of a major disaster or similar development in the Tokyo Metropolitan area, where the stores and other facilities of the main businesses, including convenience stores and superstores, are concentrated, the impact is expected to be correspondingly large.

Furthermore, due to the global spread of COVID-19 from 2020, depending on the state of the spread of infected individuals within the Group, the impact on business activities is projected to continue. Retail is the core business of the Group and a lifeline to local communities, and so the organization would strive to continue operating in order to fulfill its responsibilities to the community and society, after protecting the lives and ensuring the safety of employees, customers and others, and while continuing to pay attention to hygiene measures and infection control measures. In order to preserve business continuity, the Group seeks to maintain the supply chain by building tight networks of cooperation with suppliers, and will also promote the protection of human rights by checking for discrimination based on the spread of infection, or the presence of unfair dismissal.

However, depending on the spread of infection and the prevalence of disease, it is possible that measures such as shortening store operating hours, suspending store operations, and limiting the number of stores in operation being taken, or interruptions etc. to the operation of the supply chain, will make it impossible to provide products. In such an event, the performance and financial standing of the Group could be affected. The Group has responded to the changes in values and behavior that have already occurred as a result of COVID-19 (expanded use of take-out and home delivery, emergence of online consumption, remote working, etc.) by striving to become part of the daily life of our customers, while creating new customer experience value. However, in the event that another spread of COVID-19 resulted in a weakening of purchasing power or of the tendency to consume among customers, or to unexpected changes in consumer behavior, this could lead to lower sales and affect the performance and financial standing of the Group.

11. Product quality control / labeling risk

The Group strives to provide safe products and accurate information to customers by installing fully equipped facilities for food hygiene based on relevant laws and regulations, implementing thorough product management measures, such as QC briefings, that include suppliers, and establishing CSR audits and other systems for ensuring checks are performed. Nevertheless, in the event that a problem occurs that exceeds the capabilities of our initiatives to deal with it, the loss of trust in the Group’s products and the occurrence of remedial costs could affect the performance and financial standing of the Group. Furthermore, although the Group is taking on the challenge of expanding “Seven Premium” and original products from Group companies in order to continue to provide new value and high-quality products and services to customers, in the event that a serious accident, etc. occurs that involves products handled by the Group, product recovery costs and product liability damages may arise, which could affect the performance and financial standing of the Group.

12. System risk

The Group operates a large number of IT systems to enable it to perform its business activities. To ensure that each system is managed appropriately and operates reliably, the Group implements reviews from the stage of requirement definition/design, conducts full testing before release, and performs monitoring of operational status after the release. In addition, the Group monitors and responds to cyberattacks and to assess security risks by specialized security organizations, and the Group has also established systems to enable business continuity, and performs periodic checks on the management status of system risks for the Group as a whole.

Despite the Group having devised these measures, typhoons, earthquakes and other natural disasters, faults in cloud services used by the Group, unexpected situations such as a sophisticated cyber attack, and human error could result in the occurrence of system failures and security incidents. In the event that these system risks materialize, business operations would be compromised, which could affect the performance and financial standing of the Group.

3. [Management analysis of financial position, business results and cash flows]

(1) Overview of business results

(i) Business results

During the consolidated fiscal year under review, the Japanese economy showed signs of picking up, particularly in consumer spending, because although the COVID-19 alert was still in effect, there were no restrictions on people's movements, such as intensive measures to prevent the spread of the disease, in order to balance infection prevention and economic activities. Meanwhile, the uncertainty of the situation in Ukraine and the rapid depreciation of the yen boosted energy and raw material costs. So we were forced to keep a close watch on the impact of rising prices on household budget, supply constraints, etc.

In the North American economy, consumer spending slowed down dented by historically high inflation, policy interest rate hikes, and other factors. In addition, supply constraints, etc., stemming from labor shortages and logistics disruptions affected the real economy.

In this environment, under the new Board of Directors and governance system, the Group discussed strategic initiatives that would contribute to the enhancement of the Group's corporate value while taking into account the efficiency and growth potential of each business. Based on these discussions, we announced the results of the Group Strategy Reevaluation on March 9, 2023, and have established the Ideal Group Image for 2030 as "A world-class retail group centered around its "food" that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology." Based on our business portfolio approach, we have entered into an agreement to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to Sugi Godo Kaisha, a special purpose company which is a related entity of Fortress Investment Group LLC and are in negotiations to execute the agreement. Going forward, we will continue to funnel our efforts into creating medium- to long-term corporate value and achieving sustainable growth based on the results of the Group strategy reassessment and the updated "Medium-Term Management Plan 2021-2025."

Our consolidated financial results for the fiscal year ended February 28, 2023 are summarized below. Effective from the fiscal year ended February 28, 2023, the Company has adopted the Revenue Recognition Accounting Standard, etc.

(Millions of yen)

	Fiscal year ended February 28, 2022		Fiscal year ended February 28, 2023	
		Compared to previous year		Compared to previous year
Total revenues from operations (reference)	–	–	12,496,004	142.8%
Revenues from operations	8,749,752	151.7%	11,811,303	135.0%
Operating income	387,653	105.8%	506,521	130.7%
Ordinary income	358,571	100.3%	475,887	132.7%
Net income attributable to owners of parent	210,774	117.6%	280,976	133.3%

* Revenues from operations based on the previous accounting method is shown as "Total revenues from operation (reference)."

(Medium-Term Management Plan 2021-2025: Key Consolidated Financial Indicators)

(Millions of yen)

	Fiscal year ended February 28, 2022	Compared to previous year	Fiscal year ended February 28, 2023	Compared to previous year
EBITDA	751,491	119.9%	995,319	132.4%
Operating CF (excluding financial services)	630,807	138.1%	832,804	132.0%
Free CF (excluding financial services)	279,597	211.7%	474,055	169.5%
ROE (%)	7.5		8.7	
ROIC (excluding financial services) (%)	4.8		5.2	
Debt/EBITDA ratio (times)	3.9		3.0	
Net income per share (EPS) (Yen)	238.68	117.6%	318.14	133.3%

Exchange rate (Income statement)	U.S.$1 = ¥109.90	U.S.$1 = ¥131.62
	1 yuan = ¥17.04	1 yuan = ¥19.50
Exchange rate (Balance sheet)	U.S.$1 = ¥115.02	U.S.$1 = ¥132.70
	1 yuan = ¥18.06	1 yuan = ¥19.01

* Cash flows from operating activities (excluding financial services) is a management accounting figure based on NOPAT (excluding financial services).
Free cash flow (excluding financial services) is a management accounting-based figure (excluding financial services).
M&A-related investments are regarded as strategic investments and thus are excluded from cash flows from investing activities.
ROIC (excluding financial services) = {Net income + Interest expense x (1 – Effective tax rate)} ÷ {Shareholders' equity + Interest-bearing debt [average of fiscal beginning/end for both figures]}

Total Group sales (including sales of franchisees of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd., and 7-Eleven, Inc.) amounted to ¥17,842,688 million (125.3% of the previous year). In the fiscal year under review, revenues from operations and operating income increased ¥1,465.6 billion, and ¥47.5 billion, respectively, as a result of exchange rate fluctuations.

Business overview by operating segment for the fiscal year ended February 28, 2023 is as follows.

(Revenues from operations, by operating segment)

(Millions of yen)

	Fiscal year ended February 28, 2022		Fiscal year ended February 28, 2023	
		Compared to previous year		Compared to previous year
Domestic convenience store operations	873,239	101.7%	890,293	102.0%
Overseas convenience store operations	5,194,327	230.5%	8,846,163	170.3%
Superstore operations	1,810,728	100.0%	1,449,165	80.0%
Department and specialty store operations	712,282	104.0%	463,739	65.1%
Financial services	194,399	97.7%	194,295	99.9%
Others	20,340	117.4%	26,044	128.0%
Total	8,805,319	151.2%	11,869,702	134.8%
Adjustments (Eliminations/corporate)	(55,567)	–	(58,398)	–
Total	8,749,752	151.7%	11,811,303	135.0%

(Operating income, by operating segment)

(Millions of yen)

	Fiscal year ended February 28, 2022		Fiscal year ended February 28, 2023	
		Compared to previous year		Compared to previous year
Domestic convenience store operations	223,396	95.6%	232,033	103.9%
Overseas convenience store operations	159,866	162.0%	289,703	181.2%
Superstore operations	18,791	63.3%	12,107	64.4%
Department and specialty store operations	(8,153)	–	3,434	–
Financial services	37,549	78.1%	37,140	98.9%
Others	(115)	–	(466)	–
Total	431,334	110.0%	573,953	133.1%
Adjustments (Eliminations/corporate)	(43,681)	–	(67,432)	–
Total	387,653	105.8%	506,521	130.7%

a. Domestic convenience store operations

Revenues from the domestic convenience store operations were ¥890,293 million (102.0% of the previous year), and operating income was ¥232,033 million (103.9% of the previous year).

While the shift to smaller trading areas accelerated and differences in customer needs by stores became more apparent due to the COVID-19 pandemic, SEVEN-ELEVEN JAPAN CO., LTD. has continued to implement initiatives aimed at increasing the number of customers who visit 7-Eleven stores to purchase the desired products by integrating three measures: expanding the lineup of high value-added products, changing the sales floor layout to increase the number of items handled, and sales promotions that create an event atmosphere. In response to rapidly growing demand for delivery services, we have strengthened our 7NOW service, which delivers products ordered via smartphone to a designated location in as little as 30 minutes, by increasing the number of stores providing the service to approximately 3,800 as of the fiscal year under review.

In addition to these efforts, during the consolidated fiscal year under review, we introduced new fast food products to broaden our customer base, increased the number of stores handling the “Traceable Vegetables” produce brand of Ito-Yokado Co. Ltd., and conducted aggressive sales promotion campaigns such as a variety of fairs. Thanks to these initiatives together with a recovery in human flow, favorable weather and other factors, same-store sales increased from the previous year. Operating income was ¥232,873 million (104.4% of the previous year), despite the continued increase in utilities expenses due to soaring fuel cost adjustment unit prices. Total sales of all stores in the chain (the sum of sales from directly managed stores and franchisees) amounted to ¥5,148,742 million (104.0% of the previous year).

b. Overseas convenience store operations

Revenues from the overseas convenience store operations were ¥8,846,163 million (170.3% of the previous year), and operating income was ¥289,703 million (181.2% of the previous year).

7-Eleven, Inc. in North America has striven to ensure stable store operations despite the emergence of some problems in the U.S. market, such as supply constraints arising from labor shortages and logistics disruptions. It has also been strengthening development and sales of original products with high quality and profitability (fresh food, proprietary beverages, and private brand products) as well as the 7NOW delivery service, which is available at approximately 5,700 stores.

Although consumption showed signs of weakness as prices soared, U.S. domestic same-store merchandise sales in dollar terms exceeded those in the previous year during the fiscal year under review, and operating income amounted to ¥396,568 million (176.4% of the previous year). Total sales of all stores in the chain (the sum of sales from directly managed stores and franchisees) amounted to ¥10,442,360 million (161.5% of the previous year).

The process related to the integration with the Speedway business acquired in May 2021 is progressing well, and the synergy benefit was approximately U.S.$682 million for the fiscal year under review, much higher than the originally planned amount of U.S.$450 million. In addition, we have established a Cost Leadership Committee to conduct a fundamental review of our cost structure, and we will promote further improvement of profitability by implementing appropriate decision-making mechanisms, raising awareness of cost management, etc.

c. Superstore operations

Revenues from the superstore operations were ¥1,449,165 million (80.0% of the previous year), and operating income was ¥12,107 million (64.4% of the previous year).

Ito-Yokado Co., Ltd., a general merchandise store operator, has been pursuing a re-growth strategy that includes closing unprofitable stores, optimizing personnel, and improving productivity through the use of IT.

In the consolidate fiscal year under review, same-store sales, including tenants, increased over the prior year mainly due to sales growth by tenants, since human flow recovered, and unlike in the prior year, there were no restrictions on operating hours and the number of people shopping in a store at one time. However, operating income was ¥408 million (25.2% of the previous year) due to deteriorating gross profit margins for food products and an increase in utilities expenses resulting from a sharp rise in adjusted unit prices for fuel.

As for York-Benimaru Co., Ltd., a food supermarket, same-store sales decreased from the preceding year mainly due to a drop in food sales, which had been brisk since the pandemic started. However, thanks primarily to the merger on March 1, 2022 with Life Foods Co. Ltd., which manufactured and sold delicatessen food at York-Benimaru stores, merchandise gross profit margins improved, resulting in operating income of ¥18,013 million (122.5% of the previous year).

d. Department and specialty store operations

Revenues from the department and specialty store operations were ¥463,739 million (65.1% of the previous year), and operating income was ¥3,434 million (compared with operating loss of ¥8,153 million in the previous year).

In the department store business, same-store sales increased year on year, mainly due to a recovery in apparel sales and strong sales of luxury brand products as, unlike in the prior year, there were no restrictions on operating hours and the number of people shopping in a store at one time. In the restaurant business, same-restaurant sales showed an improving trend chiefly because, unlike in the prior year, there were no restrictions on operating hours and on serving alcoholic beverages, and the number of people dining in restaurants was on the rise. Despite this, the business recorded an operating loss.

Based on our business portfolio approach, we have entered into an agreement to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to Sugi Godo Kaisha, a special purpose company which is a related entity of Fortress Investment Group LLC and are in negotiations to execute the agreement.

e. Financial services

Revenues from the financial services operations were ¥194,295 million (99.9% of the previous year), and operating income was ¥37,140 million (98.9% of the previous year).

At the fiscal year-end the number of domestic ATMs operated by Seven Bank, Ltd. stood at 26,889, up 695 from a year earlier. The average number of ATM use per day per ATM was 101.1 (up 4.4 from the previous year) due to growth in the number of cash charge transactions associated with various cashless payments and a pickup in the number of transactions at savings and deposit financial institutions, resulting in a year-on-year increase in total ATM use during the fiscal year under review. At the fiscal year-end, Seven Bank had cash and deposits (including cash for ATM loading) of ¥1,024.3 billion.

f. Others

Revenues from operations for the Others segment were ¥26,044 million (128.0% of the previous year), and operating loss was ¥466 million (compared with operating loss of ¥115 million in the previous year).

g. Adjustments (Eliminations/corporate)

Operating loss totaled ¥67,432 million (compared with operating loss of ¥43,681 million in the previous year). In order to realize the Group's vision for 2030, the Company recorded expenses related to the development of the 7iD membership base to expand customer contact points, the enhancement of the last-mile DX platform represented by the 7NOW delivery service and online supermarkets that create new experiences and values, and the construction of a common Group infrastructure system for the purpose of further improving operational efficiency and enhancing security, etc.

(ii) Financial position

a. Assets, liabilities and net assets

At the fiscal year-end, total assets amounted to ¥10,550,956 million, up ¥1,811,676 million from a year earlier.

Current assets increased ¥455,879 million from the end of the previous year, mainly due to an increase in cash and deposits.

Non-current assets increased ¥1,356,536 million chiefly on account of an increase in right-of-use assets resulting from the adoption of Accounting Standards Updates (hereinafter, "ASU") No. 2016-02, Leases (Topic 842) in the overseas convenience store operations.

Liabilities increased ¥1,311,247 million from the end of the preceding year to ¥6,902,794 million, largely due to an increase in lease obligations resulting from the adoption of ASU No. 2016-02, Leases (Topic 842) in the overseas convenience store operations.

Net assets increased ¥500,429 million from the end of the prior year to ¥3,648,161 million, mainly due to an increase in net income attributable to owners of parent and foreign currency translation adjustments.

Retained earnings at the beginning of the period decreased ¥11,948 million due to the adoption of the Revenue Recognition Accounting Standard, etc. and increased ¥34,764 million due to the adoption of ASU No. 2016-02, Leases (Topic 842).

b. Cash flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥1,674,787 million, an increase of ¥259,897 million from a year earlier.

Net cash provided by operating activities amounted to ¥928,476 million (126.1% of the previous year). This was largely due to income taxes paid amounting to ¥96,856 million, despite income before income taxes of ¥402,761 million and depreciation and amortization of ¥376,097 million.

Net cash used in investing activities totaled ¥413,229 million (16.5% of the previous year). This was mainly due to purchase of property and equipment of ¥305,217 million associated with new store openings and existing store renovations.

Net cash used in financing activities was ¥270,373 million (compared with net cash provided by financing activities of ¥937,077 million in the previous year). This was mainly due to repayment of long-term borrowings of ¥262,650 million, redemption of bonds of ¥60,000 million, and dividends paid of ¥89,762 million, despite proceeds from long-term borrowings of ¥163,652 million.

(2) Production, orders, and sales results

(i) Production and orders

None

(ii) Purchases

Purchases in the fiscal year ended February 28, 2023 by segment are as follows.

Name of segment	Purchases (Millions of yen)	Compared to previous year (%)
Domestic convenience store operations	67,146	100.0
Overseas convenience store operations	7,125,144	175.7
Superstore operations	1,009,659	76.6
Department and specialty store operations	237,555	47.7
Financial services	21,519	99.1
Others	826	95.1
Total	8,461,851	141.9

Notes:
1. The main reason for the change in the overseas convenience store operations is that in the previous consolidated fiscal year, 7-Eleven, Inc. acquired shares and other equity interests in Speedway LLC and 20 other companies, so the results of Speedway LLC and 20 other companies were not for the full year; in contrast, the results for the fiscal year under review include the full-year results of these companies.
2. The main reason for the change in the superstore operations and department store and specialty store operations is the change in accounting method due to the adoption of the Revenue Recognition Accounting Standard, etc., from the beginning of the fiscal year under review.
3. Purchases in the domestic and overseas convenience store operations in the above table only include purchases of directly managed stores.
4. The above purchase results are amounts after eliminating inter-company transactions among consolidated companies.

(iii) Sales

Net sales (net sales among revenues from operations) in the fiscal year ended February 28, 2023 by segment are as follows.

Name of segment	Net sales (Millions of yen)	Compared to previous year (%)
Domestic convenience store operations	93,025	99.7
Overseas convenience store operations	8,424,695	173.8
Superstore operations	1,348,500	76.3
Department and specialty store operations	376,563	53.9
Financial services	20,982	98.4
Others	1,384	91.4
Total	10,265,151	138.2

Notes: 1. The main reason for the change in the overseas convenience store operations is that in the previous consolidated fiscal year, 7-Eleven, Inc. acquired shares and other equity interests in Speedway LLC and 20 other companies, so the results of Speedway LLC and 20 other companies were not for the full year; in contrast, the results for the fiscal year under review include the full-year results of these companies.

2. The main reason for the change in the superstore operations and department store and specialty store operations is the change in accounting method due to the adoption of the Revenue Recognition Accounting Standard, etc., from the beginning of the fiscal year under review.

3. Net sales in the domestic and overseas convenience store operations in the above table only include sales of directly managed stores.

4. The above sales results are amounts after eliminating inter-company transactions among consolidated companies.

5. Sales of major subsidiaries are as follows.

(1) Domestic convenience store operations

SEVEN-ELEVEN JAPAN CO., LTD.

Category	Total store sales (Millions of yen)	Compared to previous year (%)	Composition (%)
Processed food	1,311,714	104.3	25.4
Fast food	1,523,448	104.6	29.5
Daily food	645,528	101.0	12.5
Food sales	3,480,692	103.8	67.4
Nonfood	1,683,539	105.2	32.6
Total	5,164,231	104.3	100.0

Note: The above amounts are before the application of the Revenue Recognition Accounting Standard, etc., and do not include consumption taxes. In addition, total store sales represent the total amount of sales of franchised stores (franchisees) and training stores (directly managed stores).

(2) Overseas convenience store operations

7-Eleven, Inc.

Category	Total store sales (Millions of yen)	Compared to previous year (%)	Composition (%)
Processed food	1,602,855	139.5	15.3
Fast food	470,858	135.8	4.6
Daily food	125,296	137.6	1.2
Food sales	2,199,010	138.6	21.1
Nonfood	1,393,702	130.2	13.3
Merchandise sales	3,592,712	135.2	34.4
Fuel sales	6,849,647	179.9	65.6
Total	10,442,360	161.5	100.0

Note: Total store sales represent the total amount of sales of franchisees and directly managed stores.

(3) Superstore operations

(i) Ito-Yokado Co., Ltd.

Category	Net sales (Millions of yen)	Compared to previous year (%)	Composition (%)
Lifestyle	217,398	98.8	20.9
Specialty stores	13,455	114.1	1.3
Food	488,764	96.5	47.0
Merchandise sales	719,618	97.5	69.3
Tenants	317,230	106.7	30.5
Others	2,252	66.4	0.2
Total	1,039,102	100.0	100.0

Note: The above amounts are before the application of the Revenue Recognition Accounting Standard, etc., and do not include consumption taxes.

(ii) York-Benimaru Co., Ltd.

Category	Net sales (Millions of yen)	Compared to previous year (%)	Composition (%)
Fresh food	167,563	100.3	35.1
Processed food	116,252	101.3	24.4
Daily food	97,652	102.4	20.5
Delicatessen food	58,235	–	12.2
Food sales	439,703	116.5	92.1
Apparel	10,156	98.5	2.1
Household goods	18,062	97.6	3.8
Merchandise sales	467,922	115.2	98.0
Tenants	9,455	14.9	2.0
Total	477,377	101.7	100.0

Notes: 1. The above amounts are before the application of the Revenue Recognition Accounting Standard, etc., and do not include consumption taxes.

2. On March 1, 2022, York-Benimaru Co., Ltd. merged with Life Foods Co., Ltd. which manufactured and sold delicatessen food mainly at stores of York-Benimaru Co., Ltd.
As a result, sales of Life Foods Co., Ltd. which were previously included in the results for tenants are now reflected in the figures for delicatessen food.

(4) Department and specialty store operations

Sogo & Seibu Co., Ltd.

Category	Net sales (Millions of yen)	Compared to previous year (%)	Composition (%)
Apparel	144,005	107.2	29.0
Household goods	49,371	108.0	9.9
Food	100,791	104.4	20.3
Merchandise sales	294,169	106.4	59.3
Tenants	169,847	118.5	34.2
Corporate sales	32,326	119.6	6.5
Total	496,342	111.0	100.0

Note: The above amounts are before the application of the Revenue Recognition Accounting Standard, etc., and do not include consumption taxes.

(3) Details of analysis and considerations regarding the status of business results from management's perspective

The details of recognition as well as analysis and considerations regarding the status of business results of the Group from management's perspective are as follows. This section includes forward-looking statements and future expectations as of the fiscal year-end.

(i) Analysis of business results

a. Revenues from operations and operating income

Revenues from operations for the fiscal year under review amounted to ¥11,811,303 million, an increase of ¥3,061,550 million from the previous fiscal year (or 135.0% of the previous year). Operating income was ¥506,521 million, an increase of ¥118,868 million from the previous fiscal year (or 130.7% of the previous year).

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)	Increase/decrease
Revenues from operations			
Domestic convenience store operations	873,239	890,293	17,054
Overseas convenience store operations	5,194,327	8,846,163	3,651,835
Superstore operations	1,810,728	1,449,165	(361,563)
Department and specialty store operations	712,282	463,739	(248,543)
Financial services	194,399	194,295	(103)
Others	20,340	26,044	5,703
Total	8,805,319	11,869,702	3,064,382
Eliminations/corporate	(55,567)	(58,398)	(2,831)
Total	8,749,752	11,811,303	3,061,550
Operating income			
Domestic convenience store operations	223,396	232,033	8,637
Overseas convenience store operations	159,866	289,703	129,836
Superstore operations	18,791	12,107	(6,683)
Department and specialty store operations	(8,153)	3,434	11,588
Financial services	37,549	37,140	(409)
Others	(115)	(466)	(350)
Total	431,334	573,953	142,619
Eliminations/corporate	(43,681)	(67,432)	(23,750)
Total	387,653	506,521	118,868

Revenues from the domestic convenience store operations were ¥890,293 million (102.0% of the previous year), and operating income was ¥232,033 million (103.9% of the previous year).

While the shift to smaller trading areas accelerated and differences in customer needs by stores became more apparent due to the COVID-19 pandemic, SEVEN-ELEVEN JAPAN CO., LTD. has continued to implement initiatives aimed at increasing the number of customers who visit 7-Eleven stores to purchase the desired products by integrating three measures: expanding the lineup of high value-added products, changing the sales floor layout to increase the number of items handled, and sales promotions that create an event atmosphere. In response to rapidly growing demand for delivery services, we have strengthened our 7NOW service, which delivers products ordered via smartphone to a designated location in as little as 30 minutes, by increasing the number of stores providing the service to approximately 3,800 as of the fiscal year under review.

In addition to these efforts, during the consolidated fiscal year under review, we introduced new fast food products to broaden our customer base, increased the number of stores handling the “Traceable Vegetables” produce brand of Ito-Yokado Co. Ltd., and conducted aggressive sales promotion campaigns such as a variety of fairs. Thanks to these initiatives together with a recovery in human flow, favorable weather and other factors, same-store sales increased from the previous year. Operating income was ¥232,873 million (104.4% of the previous year), despite the continued increase in utilities expenses due to soaring fuel cost adjustment unit prices. Total sales of all stores in the chain (the sum of sales from directly managed stores and franchisees) amounted to ¥5,148,742 million (104.0% of the previous year).

Revenues from the overseas convenience store operations were ¥8,846,163 million (170.3% of the previous year), and operating income was ¥289,703 million (181.2% of the previous year).

7-Eleven, Inc. in North America has striven to ensure stable store operations despite the emergence of some problems in the U.S. market, such as supply constraints arising from labor shortages and logistics disruptions. It has also been strengthening development and sales of original products with high quality and profitability (fresh food, proprietary beverages, and private brand products) as well as the 7NOW delivery service, which is available at approximately 5,700 stores.

Although consumption showed signs of weakness as prices soared, U.S. domestic same-store merchandise sales in dollar terms exceeded those in the previous year during the fiscal year under review, and operating income amounted to ¥396,568 million (176.4% of the previous year). Total sales of all stores in the chain (the sum of sales from directly managed stores and franchisees) amounted to ¥10,442,360 million (161.5% of the previous year).

The process related to the integration with the Speedway business acquired in May 2021 is progressing well, and the synergy benefit was approximately U.S.$682 million for the fiscal year under review, much higher than the originally planned amount of U.S.$450 million. In addition, we have established a Cost Leadership Committee to conduct a fundamental review of our cost structure, and we will promote further improvement of profitability by implementing appropriate decision-making mechanisms, raising awareness of cost management, etc.

Revenues from the superstore operations were ¥1,449,165 million (80.0% of the previous year), and operating income was ¥12,107 million (64.4% of the previous year).

Ito-Yokado Co., Ltd., a general merchandise store operator, has been pursuing a re-growth strategy that includes closing unprofitable stores, optimizing personnel, and improving productivity through the use of IT.

In the consolidate fiscal year under review, same-store sales, including tenants, increased over the prior year mainly due to sales growth by tenants, since human flow recovered, and unlike in the prior year, there were no restrictions on operating hours and the number of people shopping in a store at one time. However, operating income was ¥408 million (25.2% of the previous year) due to deteriorating gross profit margins for food products and an increase in utilities expenses resulting from a sharp rise in adjusted unit prices for fuel.

As for York-Benimaru Co., Ltd., a food supermarket, same-store sales decreased from the preceding year mainly due to a drop in food sales, which had been brisk since the pandemic started. However, thanks primarily to the merger on March 1, 2022 with Life Foods Co. Ltd., which manufactured and sold delicatessen food at York-Benimaru stores, merchandise gross profit margins improved, resulting in operating income of ¥18,013 million (122.5% of the previous year).

Revenues from the department and specialty store operations were ¥463,739 million (65.1% of the previous year), and operating income was ¥3,434 million (compared with operating loss of ¥8,153 million in the previous year).

In the department store business, same-store sales increased year on year, mainly due to a recovery in apparel sales and strong sales of luxury brand products as, unlike in the prior year, there were no restrictions on operating hours and the number of people shopping in a store at one time. In the restaurant business, same-restaurant sales showed an improving trend chiefly because, unlike in the prior year, there were no restrictions on operating hours and on serving alcoholic beverages, and the number of people dining in restaurants was on the rise. Despite this, the business recorded an operating loss.

Based on our business portfolio approach, we have entered into an agreement to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to Sugi Godo Kaisha, a special purpose company which is a related entity of Fortress Investment Group LLC and are in negotiations to execute the agreement.

Revenues from the financial services operations were ¥194,295 million (99.9% of the previous year), and operating income was ¥37,140 million (98.9thof the previous year).

At the fiscal year-end the number of domestic ATMs operated by Seven Bank, Ltd. stood at 26,889, up 695 from a year earlier. The average number of ATM use per day per ATM was 101.1 (up 4.4 from the previous year) due to growth in the number of cash charge transactions associated with various cashless payments and a pickup in the number of transactions at savings and deposit financial institutions, resulting in a year-on-year increase in total ATM use during the fiscal year under review. At the fiscal year-end, Seven Bank had cash and deposits (including cash for ATM loading) of ¥1,024.3 billion.

b. Non-operating income/expenses and ordinary income

Non-operating income/expenses came to loss of ¥30,633 million (net amount), compared with loss of ¥29,081 million (net amount) in the previous fiscal year. This was mainly due to an increase in interest expenses on bonds for 7-Eleven, Inc.

As a result, ordinary income increased ¥117,316 million from the previous fiscal year to ¥475,887 million.

c. Special gains/losses and income before income taxes

Special gains/losses came to loss of ¥73,126 million (net amount), compared with loss of ¥46,716 million (net amount) in the previous fiscal year. This was mainly due to an increase in impairment losses.

As a result, income before income taxes increased ¥90,906 million from the previous fiscal year to ¥402,761 million.

d. Income taxes (including income taxes - deferred) and net income attributable to owners of parent

Income taxes amounted to ¥110,591 million, up ¥21,977 million from the previous fiscal year. Effective rate of income taxes after application of deferred tax accounting was 27.5%.

As a result, net income attributable to owners of parent increased ¥70,202 million from the previous fiscal year to ¥280,976 million. Net income per share was ¥318.14, an increase of ¥79.46 from ¥238.68 in the previous fiscal year.

(ii) Analysis of financial position

a. Assets, liabilities and net assets

(Millions of yen)

	Fiscal year ended February 28, 2022 (As of Feb. 28, 2022)	Fiscal year ended February 28, 2023 (As of Feb. 28, 2023)	Increase/decrease
Total assets	8,739,279	10,550,956	1,811,676
Liabilities	5,591,546	6,902,794	1,311,247
Net assets	3,147,732	3,648,161	500,429

At the fiscal year-end, total assets amounted to ¥10,550,956 million, up ¥1,811,676 million from a year earlier.

Current assets totaled ¥3,060,653 million, up ¥455,879 million from a year earlier, mainly due to an increase of ¥250,219 million in cash and deposits.

Property and equipment increased ¥1,109,402 million chiefly on account of an increase in right-of-use assets resulting from the adoption of Accounting Standards Updates (hereinafter, "ASU") No. 2016-02, Leases (Topic 842) in the overseas convenience store operations. Intangible assets increased ¥224,670 million, mainly due to an increase in goodwill resulting from exchange rate fluctuations. In addition, investments and other assets increased ¥22,463 million, mainly due to increases in municipal bonds and corporate bonds acquired by Seven Bank, Ltd. As a result, non-current assets increased ¥1,356,536 million from the end of the preceding year to ¥7,489,195 million.

Total liabilities increased ¥1,311,247 million from a year earlier to ¥6,902,794 million.

Current liabilities totaled ¥3,265,089 million, an increase of ¥784,363 million from the end of the preceding year, mainly because current portion of bonds payable advanced ¥295,823 million.

Non-current liabilities increased ¥526,883 million from the end of the previous year to ¥3,637,704 million, largely due to an increase in lease obligations resulting from the adoption of ASU No. 2016-02, Leases (Topic 842) in the overseas convenience store operations despite a ¥188,178 million decline in bonds payable.

Total net assets increased ¥500,429 million from a year earlier to ¥3,648,161 million.

Retained earnings increased ¥213,336 million from the end of the prior year, mainly due to an increase of ¥280,976 million resulting from recording of net income attributable to owners of parent and a decrease of ¥89,787 million resulting from payment of dividends.

Foreign currency translation adjustments increased ¥286,908 million, mainly due to translation of the financial statements of 7-Eleven, Inc. As a result, net assets per share amounted to ¥3,933.93, up ¥558.43 from a year earlier, and equity ratio decreased to 32.9% from 34.1% at the end of the previous fiscal year.

b. Cash flows

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)	Increase/decrease
Cash flows from operating activities	736,476	928,476	191,999
Cash flows from investing activities	(2,505,566)	(413,229)	2,092,336
Cash flows from financing activities	937,077	(270,373)	(1,207,450)
Cash and cash equivalents at the end of the year	1,414,890	1,674,787	259,897

Cash and cash equivalents (hereinafter "net cash") increased ¥259,897 million from the end of the previous fiscal year to ¥1,674,787 million, mainly due to cash flow generated by high operating profitability primarily in the domestic and overseas convenience store operations, despite expenditures for new store openings and store renovations chiefly in the domestic and overseas convenience store operations.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥928,476 million (126.1% of the previous year). The ¥191,999 million increase over the same period last year was mainly due to a ¥90,906 million increase in income before income taxes and an ¥83,535 million increase in depreciation and amortization, while there was a ¥44,247 million decrease in deposits received.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥413,229 million (16.5% of the previous year). The main reason for the decrease of ¥2,092,336 million from a year earlier was a decrease of ¥2,295,104 million in payment for purchase of shares in subsidiaries resulting in change in scope of consolidation, which occurred in the previous fiscal year due to the acquisition of Speedway in the overseas convenience store operations.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥270,373 million (compared with net cash provided by financing activities of ¥937,077 million in the previous year). The change from the previous year was mainly because ¥1,192,710 million in proceeds of the issuance of bonds by 7-Eleven, Inc. was recorded in the previous year.

(iii) Strategic current state and outlook

In Japan, while economic activities are recovering supported by the lifting of the COVID-related restrictions, the outlook is still uncertain, as surging raw material and fuel prices and rising prices of various commodities are expected to continue due to heightened geopolitical risks, and a decline in consumer confidence and household saving intentions are likely to affect consumer spending.

In North America, there are concerns that the previously robust consumer spending will slow down and the economy will enter a recession amid high inflation and high interest rates.

In light of this uncertain business environment, we will promote various strategic measures to achieve growth centered on the convenience store operations by leveraging our strength in "food," which is the core of the Group's strategy.

In order to realize the Group's vision for 2030 based on the results of the Group strategy reassessment, the Group will, effective from the fiscal year ending February 29, 2024, reclassify its operating segments from the traditional six segments: domestic convenience store operations, overseas convenience store operations, superstore operations, department and specialty store operations, financial services, and others, into five segments: domestic convenience store operations, overseas convenience store operations, superstore operations, financial services, and others.

a. Domestic convenience store operations

SEVEN-ELEVEN JAPAN CO., LTD. will celebrate its 50th anniversary in 2023. Since its establishment, the company has been responding flexibly to the changes of the times and striving to create convenience. In a bid to continue responding to the aging of the population, the increase in the number of single-person households, and the increase in the number of working women, as well as the changes in customer purchasing behavior that have become apparent amid the pandemic, we will push ahead with our efforts to boost the attractiveness and profitability of our stores through integrated implementation of three measures: strengthening development of original products such as fast food and Seven Premium products, changing sales floor layout to increase the number of items handled, and sales promotions that create an event atmosphere, thereby.

We will also aggressively increase the number of stores providing the 7NOW delivery service to launch the service nationwide by the end of FY2024. In addition, we will accurately grasp customer needs that are changing in line with changes in social structure and take on new challenges such as new businesses for future growth. We will continue to open the door to the next “convenience” by providing new experiences and values always from a customer perspective, and work to achieve sustainable growth throughout the entire value chain, including franchised stores and business partners.

b. Overseas convenience store operations

7-Eleven, Inc. in North America will continue to strengthen its value chain to provide high quality original products. As part of the initiatives, a fresh food production plant with a large-scale co-delivery center started operating in FY2023 with a view to improving quality and production efficiency. In addition, we will focus on strengthening the 7NOW delivery service and improving customer loyalty through the use of digital technology.

Meanwhile, taking into account the steady progress in FY2022 in the integration process with Speedway acquired in May 2021, we have raised synergy benefit projection for FY2023 to U.S.$800 million from the initial projection of U.S.$650 million. We will maximize synergies by continuing to implement store operations based on the concept of single product management, etc., toward the completion of the integration with Speedway at the store level/group-wide level.

We will promote these various initiatives in North America to meet the needs of our customers and apply the framework for providing new experiences and values to our global business. As part of our efforts for growth in countries which we have made inroads into, we decided in February 2023 to make an investment and loan for the Vietnam business by 7-Eleven International LLC.

7-Eleven International LLC will continue to pursue its growth strategy in both existing and new markets. Aiming to establish a network of 50,000 stores in all regions except Japan and North America by FY2025 and to open stores in 30 countries and regions worldwide, including Japan and North America, by FY2030, it will strive to achieve growth with quality and speed.

c. Superstore operations

With respect to the superstore operations, we will demonstrate the results of structural reforms implemented at Ito-Yokado Co., Ltd. through FY2022, and engage in fundamental reform measures to improve the profitability of the superstore operations. Within a timeframe of three years, we will quit the apparel business we operate, strengthen our focus on “food,” concentrate on the Tokyo metropolitan area, and integrate and reorganize our businesses there. In addition, we will press ahead with the development of infrastructure for growth, including process centers, central kitchens, and online supermarket centers, to develop high-quality products and improve productivity.

Through process management by professionals appointed from outside the Group and monitoring by the Board of Directors and the Strategy Committee, we will steadily implement the reform measures to achieve EBITDA of more than ¥85 billion in the superstore operations in FY2025.

d. Financial services

In the finance services, in addition to continuing to expand the ATM platform business, we will focus on the e-money and credit card businesses, etc. As a group financial strategy, we will also develop unique financial services based on 7iD, the Group’s common ID platform, to create new values.

As part of this strategy, we have decided to put Seven Card Service Co., Ltd. under the control of Seven Bank, Ltd. to pursue synergies through integrated operation of banking and non-banking businesses.

e. Others

Based on our business portfolio approach, we entered into an agreement on April 6, 2023 to transfer all outstanding shares of Barneys Japan Co., Ltd. held by the Company to Laox Holdings Co., LTD. and completed such share transfer on May 1, 2023.

(iv) Capital resources and liquidity of funds

Fund demand

Major demand for working capital of the Group is purchases of goods and operating expenses such as selling, general and administrative expenses. Fund demand aimed at investments is mainly for capital expenditures for opening of new stores, renovation of stores and investments in software, as well as for M&A.

Funds necessary for capital expenditures made during the fiscal year ended February 28, 2023 were procured through loans from financial institutions and funds on hand.

Financial policies

To stably secure funds needed to maintain and expand the Group’s business activities, we raise funds through utilization of internal funds as well as loans from financial institutions and issuance of bonds.

We procure long-term funds such as long-term loans and bonds by appropriately judging size and method of financing after taking into account fund demand based on business plans, financing environment such as interest-rate trend, timing of redemption of existing loans, and other factors.

With regard to financial policies, in order to sustainably increase corporate value, we have our basic policy of increasing returns in excess of the cost of capital and enhancing our ability to generate cash flow.

The balance of interest bearing debt including loans, bonds and lease obligations at the fiscal year-end was ¥3,054,948 million.

(v) Objective indicators, etc. for judging achievement of management policies, strategies and management targets

In order to sustainably increase corporate value, we have established the following financial targets according to our basic policies of increasing returns (profits) in excess of the cost of capital and enhancing our ability to generate cash flow.

(Key consolidated financial targets for year ending February 28, 2026 (FY2025))

	FY2022 results	Revised targets for FY2025
EBITDA	¥995,319 million	¥1.1 trillion or more
Operating CF (excluding financial services)	¥832,804 million	¥900 billion or more
Free CF (excluding financial services)	¥474,055 million	¥500 billion or more
ROE	8.7%	11.5% or more
ROIC (excluding financial services)	5.2%	8.0% or more
Debt/EBITDA ratio	3.0 times	Less than 1.8 times
Adjusted debt/EBITDA ratio	–	Less than 2.0 times
EPS growth rate (CAGR)	–	18% or more

* Cash flows from operating activities (excluding financial services) is a management accounting figure based on NOPAT (excluding financial services).

Free cash flow (excluding financial services) is a management accounting-based figure (excluding financial services).

M&A-related investments are regarded as strategic investments and thus are excluded from cash flows from investing activities.

ROIC (excluding financial services) = {Net income + Interest expense x (1 – Effective tax rate)} ÷ {Shareholders' equity + Interest-bearing debt [average of fiscal beginning/end for both figures]}

Adjusted debt/EBITDA ratio is management accounting-based figure (excluding financial services).

Net debt/EBITDA (Net Debt: Interest-bearing debt + On-balance-sheet leases – Cash and cash equivalents and other adjustments)

EPS growth rate (CAGR) is estimated based on CAGR (compound annual growth rate) for the year ended February 28, 2021.

(vi) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Japan. In the preparation of these consolidated financial statements, we used estimates and assumptions that might affect reported amounts of assets, liabilities, revenue and expenses, but figures based on the estimates and assumptions may differ from actual results.

Of accounting estimates used in the preparation of the consolidated financial statements and assumptions used in such estimates, significant ones are described in "Significant Accounting Estimates" under "V. Financial Information, 1. Consolidated financial statements and other information, (1) Consolidated financial statements, Notes to Consolidated Financial Statements."

4. [Critical contracts for operation]

(1) Group management administration agreement

The Company has entered into a “master agreement for provision of group management services, etc.” with each of SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd. and 20 other subsidiaries with regard to management administration conducted by the Company for each company.

(2) Franchise agreement

The overview of the franchise agreement between SEVEN-ELEVEN JAPAN CO., LTD. and each franchised store is as follows.

(i) Agreement concluded between the parties (SEVEN-ELEVEN JAPAN CO., LTD. and a franchised store)

a. Name of the agreement

Franchise agreement and supplemental agreement thereto

b. Purpose of the agreement

To form a franchise contractual relationship with a franchised store for convenience store operation under license from SEVEN-ELEVEN JAPAN CO., LTD.

(ii) Matters related to conditions of merchandise sales for franchisees

Except asking for purchase of stock at the time of store opening, SEVEN-ELEVEN JAPAN CO., LTD. does not sell merchandise subsequently, and franchisees buy merchandise from suppliers recommended by SEVEN-ELEVEN JAPAN CO., LTD. or any other suppliers that they choose.

(iii) Matters related to guidance on management

SEVEN-ELEVEN JAPAN CO., LTD. continuously sends a person in charge to the franchised store to have him or her observe the status of the store, merchandise and sales, and provide advice and guidance, or cooperates to solve various problems arising in management. In addition, SEVEN-ELEVEN JAPAN CO., LTD. continues to conduct provision of materials including sales information, effective disclosure of standard retail prices, assistance in various purchases, advertising, business consulting, and calculation and others for management through figures as well as to provide services such as extending credit for purchase of merchandise.

(iv) Matters related to trademark, trade name and other signs allowed to be used

For convenience store management, it is permitted to use the trademark, other business symbols, copyrighted materials of “7-Eleven.”

(v) Matters related to the term of agreement, etc.

The term of agreement is 15 years from the opening day of a new store as a franchisee. A renewal of the agreement is made based on consent through consultation.

(vi) Matters related to money collected regularly from franchisees

The amount derived from certain calculation based on monthly gross profit on sales (amount computed by deducting monthly cost of merchandise sold (net cost of sales calculated by deducting each cost of merchandise loss and defective goods and purchase discounts from gross cost of merchandise sold) from monthly net sales) is paid as consideration for services provided by SEVEN-ELEVEN JAPAN CO., LTD.

(3) Transfer of shares of subsidiaries

The Company’s Board of Directors resolved at its meeting held on November 11, 2022 that the Company and Sugi Godo Kaisha (hereinafter, the “Transferee”), a special purpose company that is an affiliated entity of Fortress Investment Group LLC. (hereinafter collectively with its affiliated entities, “Fortress”) would enter into an agreement (hereinafter the “Transfer

Agreement") to transfer (hereinafter, the "Transfer") all of the issued shares (hereinafter, the "Shares") of Sogo & Seibu Co., Ltd. (hereinafter referred to as "Sogo & Seibu") held by the Company to the Transferee and the Company entered into the Transfer Agreement on the same day. The Transfer is subject to the fulfillment of the prescribed conditions for its execution.

Outline of the Transfer Agreement

1. Purpose of the Transfer

As we announced in the "Medium-Term Management Plan 2021-25" released in July 2021 and the Management Message "To Become a World-Class Global Retailer Group" released in April 2022, we determined while reviewing our business portfolio and accelerating actions to optimize operations that it would be difficult to maximize the value provided to customers and business value of the department store business operated by Sogo & Seibu through business structural reform using the Group's management resources. Accordingly, we considered searching for the best owner to promote growth and improve efficiency of Sogo & Seibu.

In considering the best owner for Sogo & Seibu, we also placed great importance on whether the employment of employees would be maintained, and we determined that Fortress would meet this criteria, and have therefore decided to implement the Transfer. Fortress intends to strive to maximize the corporate value of Sogo & Seibu with Yodobashi Holdings Co.,Ltd. as its business partner in the Transfer.

By implementing the Transfer, the Company will reinvest the Group's management resources into areas with higher growth potential and enhance shareholder returns, while further promoting its global growth strategy with 7-Eleven as its core.

2. Outline of the Transfer

Through the Transfer, the Company will transfer the Shares to the Transferee upon fulfillment of the prescribed conditions. As a result of the Transfer, Sogo & Seibu's subsidiaries, IKEBUKURO SHOPPING PARK CO., LTD., GOTTSUO BIN CO., LTD., Yatsugatake Kogen Lodge Co., Ltd., DISTRICT HEATING AND COOLING CHIBA CO., LTD., and Sogo Co., Ltd. will be excluded from the Company's consolidated subsidiaries.

In addition, before the Transfer or within four months after the Transfer, all shares of the Company's consolidated subsidiary Seven CS Card Service Co., Ltd. (hereinafter, "SCS"; 51.0% of its outstanding shares are held by the Company's wholly owned subsidiary Seven Financial Service Co., Ltd.) will be transferred to Sogo & Seibu upon consultation among Fortress, Credit Saison Co., Ltd. (holding 49.0% of the outstanding shares of SCS), and the Company if the prescribed conditions are met.

Prior to the Transfer, Sogo & Seibu transferred its entire holding of 75.2% of the outstanding shares of THE LOFT CO., LTD. to the Company.

Date of conclusion of the Transfer Agreement	November 11, 2022
Date of execution of the Transfer	Upon completion

5. [Research and development activities]

None

III. [Facilities]

1. [Capital expenditures]

Breakdown of capital expenditures in the fiscal year ended February 28, 2023 is as follows:

(Millions of yen)

Name of segment	Fiscal year ended February 28, 2023
Domestic convenience store operations	95,913
Overseas convenience store operations	188,641
Superstore operations	54,643
Department and specialty store operations	19,292
Financial services	34,223
Others	469
Eliminations/corporate	38,778
Total	431,961

Notes: 1. The amounts above include intangible assets, guarantee deposits and advances for store construction.

2. The amount for eliminations and corporate is an aggregate of eliminated intersegment transactions and the Company's capital expenditures.

The amount of capital expenditures in the fiscal year ended February 28, 2023 totaled ¥431,961 million. In the domestic convenience store operations and overseas convenience store operations, investments of ¥95,913 million and ¥188,641 million, respectively, were made mainly due to opening of new stores and store renovation. In the superstore operations and department and specialty store operations, investments of ¥54,643 million and ¥19,292 million, respectively, were made mainly due to opening of new stores and store renovation. Furthermore, in the financial services, investments of ¥34,223 million were made mainly for installment of ATMs of Seven Bank, Ltd.

2. [Major facilities]

Major facilities as of February 28, 2023 are as follows.

(1) Breakdown by segment

Name of segment	Book value (Millions of yen)								Number of employees (Persons)
	Property and equipment					Intangible assets		Total	
	Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Right-of-use assets	Leasehold interests in land	Software		
Domestic convenience store operations	358,498	114,329	116,917 [1,467,011]	477	–	15,197	45,645	651,066	8,802 [3,414]
Overseas convenience store operations	942,243	275,771	665,099 [8,027,206]	–	863,948	–	66,946	2,814,010	50,769 [27,194]
Superstore operations	216,124	34,891	258,418 [2,464,063]	2,327	21,111	642	23,586	557,102	13,858 [40,726]
Department and specialty store operations	72,991	8,534	137,804 [697,062]	2,098	551	67,882	8,139	298,002	7,111 [10,942]
Financial services	14,160	45,938	10,533 [141,773]	518	33	–	39,790	110,976	1,904 [486]
Others	8,242	403	4,520 [64,878]	20	–	468	365	14,020	693 [317]
Corporate (shared)	2,569	2,290	2,712 [3,622]	821	–	–	81,164	89,559	1,017 [15]
Total	1,614,830	482,159	1,196,007 [12,865,615]	6,264	885,645	84,190	265,638	4,534,737	84,154 [83,094]

Notes: 1. The amounts above do not include construction in progress.

2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

3. “Corporate (shared)” represents the facilities and the number of employees of the Company.

(2) The Company

Name (Location)	Name of segment	Description	Book value (Millions of yen)								Number of employees (Persons)
			Property and equipment				Intangible assets			Total	
			Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software	Lease assets		
Headquarters (Tokyo Met.)	Corporate (shared)	Office	1,048	2,128	– [–]	899	–	61,934	20,021	86,033	1,009 [13]
Ito Training Center (Kanagawa Pref.)	Corporate (shared)	Training center	1,331	69	2,712 [3,622]	–	–	–	–	4,114	4 [2]
Others	Corporate (shared)	Other	188	0	– [–]	–	–	–	–	188	4 [–]

Notes: 1. The amounts above do not include construction in progress.
2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

(3) Domestic subsidiaries

(i) SEVEN-ELEVEN JAPAN CO., LTD. (Domestic convenience store operations)

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Minami 7-Jo and 998 other stores (Hokkaido)	Stores, etc.	19,535	5,068	14,003 [320,159]	2	378	–	38,989	63 [25]
Aomori Nitta 3 Chome and 102 other stores (Aomori Pref.)	Stores	1,956	559	300 [5,628]	2	42	–	2,861	1 [–]
Ichinoseki Jonai and 149 other stores (Iwate Pref.)	Stores, etc.	9,510	788	1,007 [67,155]	2	128	–	11,437	– [–]

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Sendai Haranomachi and 429 other stores (Miyagi Pref.)	Stores	7,494	2,323	5,021 [57,398]	2	448	–	15,290	27 [11]
Yokote Matsubaramachi and 115 other stores (Akita Pref.)	Stores	2,370	608	36 [2,188]	2	93	–	3,110	3 [1]
Murayama Tateoka Shinmachi and 185 other stores (Yamagata Pref.)	Stores	3,531	982	765 [15,184]	–	181	–	5,461	6 [2]
Koriyama Yatagawa and 452 other stores (Fukushima Pref.)	Stores	5,300	2,624	1,783 [27,998]	1	247	–	9,957	6 [2]
Tsuchiura Naka and 640 other stores (Ibaraki Pref.)	Stores	10,370	3,448	3,951 [54,922]	0	485	–	18,257	30 [12]
Oyama Joto and 464 other stores (Tochigi Pref.)	Stores	6,956	2,371	3,124 [48,777]	0	416	–	12,870	18 [7]
Takasaki Midoricho and 476 other stores (Gunma Pref.)	Stores	8,769	2,354	3,264 [49,332]	1	445	–	14,834	21 [8]
Saitama Kawajima and 1,232 other stores (Saitama Pref.)	Stores	18,390	6,067	6,452 [43,564]	7	937	–	31,854	52 [20]
Kakemama and 1,163 other stores (Chiba Pref.)	Stores, etc.	17,188	6,042	7,928 [114,481]	5	477	–	31,642	45 [18]

Name (Location)	Descrip-tion	Book value (Millions of yen)							Number of em-ployees (Per-sons)
		Property and equipment				Intangible assets		Total	
		Build-ings and struc-tures	Furni-ture, fixtures and equip-ment, other	Land (m^2)	Lease assets	Lease-hold interests in land	Software		
Chiyoda Nibancho and 2,880 other stores (Tokyo Met.)	Stores	35,947	15,217	17,061 [50,232]	2	996	–	69,225	168 [66]
Aioi and 1,490 other stores (Kanagawa Pref.)	Stores, etc.	19,364	7,971	8,135 [49,477]	4	584	–	36,060	57 [22]
Niigata Kurumaba and 431 other stores (Niigata Pref.)	Stores	7,867	2,075	4,586 [65,545]	3	310	–	14,842	18 [7]
Toyama Nishiosawa and 133 other stores (Toyama Pref.)	Stores	2,563	618	140 [4,339]	0	163	–	3,487	6 [2]
Kanazawa Ishikawa Kenchomae and 133 other stores (Ishikawa Pref.)	Stores	3,372	632	833 [21,285]	–	224	–	5,062	9 [4]
Fukui Haruyama 1 Chome and 70 other stores (Fukui Pref.)	Stores	1,674	346	617 [5,876]	0	87	–	2,726	6 [2]
Kai-Yamato and 204 other stores (Yamanashi Pref.)	Stores	2,902	1,105	583 [11,417]	0	171	–	4,763	8 [3]
Shiojiri Daimon and 458 other stores (Nagano Pref.)	Stores	6,316	2,338	1,715 [35,089]	1	393	–	10,766	12 [5]
Hashima Takehanacho Hachijiri and 193 other stores (Gifu Pref.)	Stores	4,154	956	720 [12,648]	0	304	–	6,135	14 [6]

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Shizuoka Oshika and 747 other stores (Shizuoka Pref.)	Stores	11,314	3,673	4,275 [35,337]	4	434	–	19,702	29 [11]
Nagoya Amazukacho and 1,060 other stores (Aichi Pref.)	Stores	19,090	5,202	2,696 [28,169]	4	1,400	–	28,394	64 [25]
Kuwana Eba and 173 other stores (Mie Pref.)	Stores	3,569	908	122 [1,813]	0	142	–	4,743	8 [3]
Otsu Kinoshitacho and 223 other stores (Shiga Pref.)	Stores	3,711	1,127	1,801 [17,367]	1	248	–	6,891	12 [5]
Kyoto Karasuma Jujo and 350 other stores (Kyoto Pref.)	Stores	5,494	1,867	570 [2,597]	1	257	–	8,191	31 [12]
Osaka Ono 1 Chome and 1,275 other stores (Osaka Pref.)	Stores	18,029	6,030	1,738 [9,361]	1	863	–	26,662	96 [38]
JR Hyogo Ekimae and 693 other stores (Hyogo Pref.)	Stores, etc.	10,488	3,230	2,577 [33,684]	3	407	–	16,706	46 [18]
Nara Takabatakecho and 134 other stores (Nara Pref.)	Stores	2,160	612	62 [426]	3	89	–	2,927	14 [6]
Wakayama Tsuwada and 84 other stores (Wakayama Pref.)	Stores	1,328	399	180 [2,261]	0	41	–	1,949	4 [2]

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Yonago Kawasaki and 46 other stores (Tottori Pref.)	Stores	1,438	285	– [–]	–	27	–	1,751	2 [1]
Hamada Aioicho and 61 other stores (Shimane Pref.)	Stores	1,161	302	133 [2,132]	–	41	–	1,638	11 [4]
Okayama Daigakumae and 319 other stores (Okayama Pref.)	Stores	5,912	1,649	1,648 [22,226]	4	262	–	9,478	18 [7]
Hiroshima Shimogochi and 596 other stores (Hiroshima Pref.)	Stores	9,779	3,094	4,856 [44,886]	4	557	–	18,293	29 [11]
Shimonoseki Ozuki and 322 other stores (Yamaguchi Pref.)	Stores	5,520	1,542	2,341 [39,475]	4	379	–	9,788	16 [6]
Tokushima Showacho and 81 other stores (Tokushima Pref.)	Stores	888	340	322 [4,768]	1	5	–	1,558	3 [1]
Takamatsu Sunport and 107 other stores (Kagawa Pref.)	Stores, etc.	3,167	518	736 [26,418]	0	40	–	4,463	6 [2]
Matsuyama-shi Ekimae and 122 other stores (Ehime Pref.)	Stores	2,059	616	66 [1,048]	0	93	–	2,836	6 [2]
Kochi Hommachi 1 Chome and 45 other stores (Kochi Pref.)	Stores	783	217	– [–]	4	25	–	1,031	5 [2]

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Hakata Sumiyoshibashi and 1,031 other stores (Fukuoka Pref.)	Stores, etc.	17,045	5,230	3,866 [30,354]	5	1,108	–	27,257	58 [23]
Tosu Sonezakimachi and 188 other stores (Saga Pref.)	Stores	3,518	1,016	823 [18,733]	–	178	–	5,536	5 [2]
Nagasaki Matsuyamamachi and 204 other stores (Nagasaki Pref.)	Stores	3,647	1,138	– [–]	5	180	–	4,972	10 [4]
Kumamoto Nuyamazu 4 Chome and 360 other stores (Kumamoto Pref.)	Stores	7,526	2,083	1,586 [15,967]	5	281	–	11,482	18 [7]
Oita Benten and 182 other stores (Oita Pref.)	Stores	3,761	999	74 [3,212]	1	144	–	4,980	9 [4]
Miyazaki Hiroshima 2 Chome and 199 other stores (Miyazaki Pref.)	Stores	3,881	1,108	562 [9,996]	1	145	–	5,699	6 [2]
Kagoshima Kukomae and 207 other stores (Kagoshima Pref.)	Stores	4,271	1,239	495 [13,671]	2	123	–	6,133	8 [3]
Headquarters and regional offices, etc. (Tokyo Met. & others)	Offices, etc.	2,623	3,514	1,497 [12,220]	371	85	45,690	53,782	7,465 [2,941]

Notes: 1. The amounts above do not include construction in progress.

2. Stores show the total number of franchised stores (franchisees) and training stores (directly managed stores), and for franchised stores (franchisees), only lent equipment owned by the Company is shown.

3. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

(ii) Ito-Yokado Co., Ltd. (Superstore operations)

Name (Location)	Description	Book value (Millions of yen)								Number of employees (Persons)
		Property and equipment				Intangible assets			Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software	Lease assets		
Kitami and 5 other stores (Hokkaido)	Stores, etc.	3,633	209	615 [6,645]	24	–	–	–	4,482	174 [832]
Hirosaki and 3 other stores (Aomori Pref.)	Stores, etc.	2,247	134	5,912 [62,622]	13	–	–	–	8,307	107 [484]
Hanamaki (Iwate Pref.)	Stores, etc.	0	0	1,460 [43,056]	–	–	–	–	1,460	24 [88]
Ishinomaki Akebono and 1 other store (Miyagi Pref.)	Stores, etc.	–	–	– [–]	–	–	–	–	–	37 [214]
Fukushima and 1 other store (Fukushima Pref.)	Stores, etc.	64	12	669 [10,419]	5	–	–	–	751	62 [204]
Ryugasaki (Ibaraki Pref.)	Stores, etc.	–	–	– [–]	–	–	–	–	–	32 [119]
Utsunomiya (Tochigi Pref.)	Stores, etc.	–	–	– [–]	–	–	–	–	–	33 [142]
Urawa and 18 other stores (Saitama Pref.)	Stores, etc.	16,066	2,025	25,272 [175,568]	336	–	–	–	43,700	681 [2,358]
Kashiwa and 15 other stores (Chiba Pref.)	Stores, etc.	10,628	939	9,373 [139,630]	204	–	–	–	21,146	629 [2,293]
Takasago and 27 other stores (Tokyo Met.)	Stores, etc.	31,265	2,420	61,524 [154,270]	504	236	–	–	95,951	1,316 [4,846]

Name (Location)	Description	Book value (Millions of yen)								Number of employees (Persons)
		Property and equipment				Intangible assets			Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software	Lease assets		
Sagamihara and 28 other stores (Kanagawa Pref.)	Stores, etc.	31,494	2,312	50,555 [187,559]	405	–	–	–	84,768	996 [4,134]
Kofu Showa (Yamanashi Pref.)	Stores, etc.	1,965	101	1,921 [8,893]	20	–	–	–	4,007	30 [173]
Minami Matsumoto and 1 other store (Nagano Pref.)	Stores, etc.	3,171	67	3,983 [81,921]	16	–	–	–	7,240	45 [232]
Yanaizu (Gifu Pref.)	Stores, etc.	44	8	– [–]	13	–	–	–	66	23 [73]
Shizuoka and 1 other store (Shizuoka Pref.)	Stores, etc.	2,641	386	5,170 [26,238]	62	–	–	–	8,261	77 [299]
Chita and 3 other stores (Aichi Pref.)	Stores, etc.	2,260	269	8,533 [65,147]	60	–	–	–	11,123	104 [434]
Tsukuno and 3 other stores (Osaka Pref.)	Stores, etc.	8,874	414	3,653 [32,284]	82	–	–	–	13,024	141 [826]
Kakogawa and 2 other stores (Hyogo Pref.)	Stores, etc.	1,747	618	– [–]	28	–	–	–	2,394	99 [450]
Headquarters and others (Tokyo Met. & others)	Offices, etc.	1,899	539	4,964 [77,456]	144	–	7,076	1	14,625	1,025 [418]

Notes: 1. The amounts above do not include construction in progress.

2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.
3. Headquarters and others include land, etc. of stores that were closed.

(iii) York-Benimaru Co., Ltd. (Superstore operations)

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Yanome and 81 other stores (Fukushima Pref.)	Stores	23,981	1,667	16,023 [312,379]	4,038	–	–	45,711	872 [5,407]
Yamoto and 62 other stores (Miyagi Pref.)	Stores	17,079	1,086	8,450 [151,567]	2,453	–	–	29,069	670 [4,031]
Yonezawa and 21 other stores (Yamagata Pref.)	Stores	7,825	377	1,916 [46,297]	1,046	–	–	11,165	211 [1,173]
Ujiie and 34 other stores (Tochigi Pref.)	Stores	10,594	614	6,558 [226,002]	1,687	–	–	19,454	406 [2,124]
Akatsuka and 43 other stores (Ibaraki Pref.)	Stores	9,363	603	10,619 [259,217]	1,472	–	–	22,058	456 [2,413]
Headquarters and others (Fukushima Pref. & others)	Offices, etc.	11,420	3,593	7,125 [268,839]	70	–	885	23,096	527 [857]

Notes: 1. The amounts above do not include construction in progress.
2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.
3. Headquarters and others include land, etc. of stores that were closed.

(iv) Sogo & Seibu Co., Ltd. (Department and specialty store operations)

Name (Location)	Description	Book value (Millions of yen)							Number of employees (Persons)
		Property and equipment				Intangible assets		Total	
		Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Lease assets	Leasehold interests in land	Software		
Akita (Akita Pref.)	Stores	0	0	– [–]	0	–	–	0	23 [106]
Omiya and 1 other store (Saitama Pref.)	Stores	6,626	93	13,449 [10,932]	91	–	–	20,260	105 [243]
Chiba (Chiba Pref.)	Stores	11,343	561	29,397 [21,420]	181	–	0	41,484	212 [249]
Ikebukuro (flagship store) and 1 other store (Tokyo Met.)	Stores	32,833	936	84,658 [13,821]	351	59,104	–	177,884	484 [689]
Yokohama and 1 other store (Kanagawa Pref.)	Stores	7,748	523	– [–]	220	–	0	8,493	332 [423]
Fukui (Fukui Pref.)	Stores	158	47	1,444 [2,649]	0	–	–	1,649	53 [94]
Hiroshima (Hiroshima Pref.)	Stores	2,917	117	– [–]	122	5,994	–	9,152	149 [273]
Headquarters and others (Tokyo Met. & others)	Offices, etc.	598	251	1,420 [614,203]	270	2,693	2,444	7,679	625 [275]

Notes: 1. The amounts above do not include construction in progress.

2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

3. Headquarters and others include land, etc. of stores that were closed.

(4) Foreign subsidiaries

Company name	Location	Name of segment	Description	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Furniture, fixtures and equipment, other	Land (m^2)	Right-of-use assets	Software	Total	
7-Eleven, Inc.	U.S. Texas	Overseas convenience store operations	Stores, etc.	939,547	272,085	663,045 [7,993,755]	847,866	66,928	2,789,474	49,432 [26,597]

Notes: 1. The amounts above do not include construction in progress.

2. The number of employees represents the number of workers, and the monthly average number of temporary employees through the conversion of their working hours to a 163-hour working month is shown in brackets and not included in the total.

3. [Plans for new construction and disposal of facilities]

(1) New construction of important facilities

Company name	Name (Location)	Name of segment	Descrip-tion	Expenditure plan		Financing method	Start date	Scheduled completion date
				Total amount (Millions of yen)	Paid amount (Millions of yen)			
SEVEN-ELEVEN JAPAN CO., LTD.	Tokyo Met. & others	Domestic convenience store operations	New store construc-tion, renova-tion, etc.	120,000	638	Funds on hand	January 2023	February 2024
7-Eleven, Inc.	U.S. Texas, etc.	Overseas convenience store operations	New store construc-tion, renova-tion, etc.	163,800	–	Funds on hand and loans	January 2023	December 2023
Ito-Yokado Co., Ltd.	Tokyo Met. & others	Superstore operations	Store renova-tion, etc.	28,000	–	Funds on hand	March 2023	February 2024
York-Benimaru Co., Ltd.	Fukushima Pref. & others	Superstore operations	New store construc-tion, renova-tion, etc.	18,300	–	Funds on hand	March 2023	February 2024

(2) Disposal of important facilities

None

IV. [Information about the Company]

1. [Information about shares, etc.]

(1) [Total number of shares, etc.]

(i) [Total number of shares]

Type	Number of shares authorized to be issued (Shares)
Common stock	4,500,000,000
Total	4,500,000,000

(ii) [Issued shares]

Type	As of end of fiscal year Number of issued shares (Shares) (February 28, 2023)	As of filing date Number of issued shares (Shares) (May 26, 2023)	Name of financial instruments exchange on which shares are listed or name of authorized financial instruments firms association with which Company has registered	Description
Common stock	886,441,983	886,441,983	Tokyo Stock Exchange Prime Market	Number of shares per share unit: 100 shares
Total	886,441,983	886,441,983	–	–

Note: "Number of shares issued as of the filing date" does not include the number of shares issued upon exercise of share subscription rights from May 1, 2023 until the filing date of this Annual Securities Report.

(2) [Share subscription rights]

(i) [Details of stock option program]

Share subscription rights issued based on the Companies Act are as follows.

Shown below is information as of the fiscal year-end (February 28, 2023). As at the end of the month preceding the filing date (April 30, 2023), because information to be reported has not changed from that as of the fiscal year-end, the information as at the end of the month preceding the filing date is omitted.

	15th	17th	19th
Date of resolution of the Annual Shareholders' Meeting	–	–	–
Date of resolution of the Board of Directors meeting	July 7, 2015	July 7, 2016	July 6, 2017
Category and number of grantees	Directors of the Company (excluding Outside Directors): 8	Directors of the Company (excluding Outside Directors): 7	Directors of the Company (excluding Outside Directors): 6
Number of share subscription rights (Units)	30	30	30
Number of share subscription rights to treasury stock (Units)	–	–	–
Class of shares to be acquired upon exercise of the share subscription rights	Common stock	Same as left	Same as left
Number of shares to be acquired upon exercise of the share subscription rights (Shares) (Note 1)	3,000	3,000	3,000
Amount to be paid in upon exercise of share subscription rights (Yen)	1	Same as left	Same as left
Exercise period of share subscription rights	From February 29, 2016 to August 5, 2035	From February 28, 2017 to August 3, 2036	From February 28, 2018 to August 4, 2037
Share issue price and amount incorporated into capital per share in the event of issuance of shares upon exercise of share subscription rights (Yen)	Issue price: 5,330 Amount incorporated into capital (Note 2)	Issue price: 3,613 Amount incorporated into capital (Note 2)	Issue price: 3,698 Amount incorporated into capital (Note 2)
Conditions for exercise of share subscription rights	(Note 3)	Same as left	Same as left
Transfer of share subscription rights	Acquisition of share subscription rights by transfer shall require approval of the Company's Board of Directors.	Same as left	Same as left
Subrogation payment	–	–	–
Delivery of share subscription rights associated with internal reorganization	(Note 4)	Same as left	Same as left

	21st
Date of resolution of the Annual Shareholders' Meeting	–
Date of resolution of the Board of Directors meeting	July 5, 2018
Category and number of grantees	Directors of the Company (excluding Outside Directors): 7
Number of share subscription rights (Units)	30
Number of share subscription rights to treasury stock (Units)	–
Class of shares to be acquired upon exercise of the share subscription rights	Common stock
Number of shares to be acquired upon exercise of the share subscription rights (Shares) (Note 1)	3,000
Amount to be paid in upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From February 28, 2019 to August 3, 2038
Share issue price and amount incorporated into capital per share in the event of issuance of shares upon exercise of share subscription rights (Yen)	Issue price: 3,806 Amount incorporated into capital (Note 2)
Conditions for exercise of share subscription rights	(Note 3)
Transfer of share subscription rights	Acquisition of share subscription rights by transfer shall require approval of the Company's Board of Directors.
Subrogation payment	–
Delivery of share subscription rights associated with internal reorganization	(Note 4)

Notes: 1. The number of shares to be issued upon exercise of one share subscription right (hereinafter the "Number of Allotted Shares") shall be 100 shares.

If the Company conducts a share split, allotment of shares without contribution or consolidation of shares after the date of allotting share subscription rights, the Number of Allotted Shares shall be adjusted by the following formula. However, such adjustment shall be made to the number of shares to be issued upon exercise of the share subscription rights which remain unexercised at the time of the share split, allotment or consolidation, and any fractions less than one share resulting from the adjustment shall be rounded off.

Adjusted number of shares = unadjusted number of shares × ratio of split or consolidation

Furthermore, other than the above case, if there is any unavoidable reason requiring adjustment of the number of shares after the allotment date, the Company shall make adjustment to the number of shares that it considers necessary to a reasonable extent.

2. Amount incorporated into capital

(1) The amount of increase in capital stock resulting from issuance of shares upon exercise of share subscription rights shall be one-half of the maximum amount of increase in capital stock, etc. calculated in accordance with the provisions of Article 17, paragraph (1) of the Regulations on Corporate Accounting, and any fractions less than ¥1 resulting from the calculation shall be rounded up.

(2) The amount of increase in additional paid-in capital resulting from issuance of shares upon exercise of share subscription rights shall be the amount calculated by deducting the amount of increase in capital stock as stipulated in (1) above from the maximum amount of increase in capital stock, etc. stated in (1) above.

3. Conditions for exercise of share subscription rights are as follows:

(1) 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.

(2) Regardless of the condition set forth in (1) 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.

(3) 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 (1) 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.

(4) The share subscription right holder is to exercise at one time all of the share subscription rights allotted.

(5) 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 (6) below.

(6) Other conditions shall be as set forth in the "Share Subscription Rights Allotment Agreement" entered into upon each issuance between the Company and the share subscription right holders based on a resolution of the Board of Directors.

4. When the Company implements a merger (limited to the case where the Company is dissolved due to the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter collectively referred to as "internal reorganization"), in each case, share subscription rights of any stock company listed in Article 236, paragraph (1), item (viii), (a) to (e) of the Companies Act (hereinafter the "Reorganized Company") shall be delivered to each share subscription right holder of share subscription rights remaining at the time when the internal reorganization takes effect (hereinafter "remaining share subscription rights") based on the following conditions. In this case, remaining share subscription rights shall be extinguished. However, this shall apply only if it is stipulated in the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split agreement, share exchange agreement, or share transfer plan that share subscription rights of the Reorganized Company are delivered in line with the following conditions.

(1) Number of share subscription rights of the Reorganized Company to be delivered

Share subscription rights shall be each delivered in the number equal to the number of share subscription rights owned by share subscription right holders of remaining share subscription rights at the time when the internal reorganization takes effect.

(2) Class of shares of the Reorganized Company to be acquired upon exercise of the share subscription rights

It shall be common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of the share subscription rights

It shall be determined in accordance with "Class of shares to be acquired upon exercise of the share subscription rights" and "Number of shares to be acquired upon exercise of the share subscription rights" provided above, taking into account the conditions of the internal reorganization and other factors.

(4) Amount of property contributed upon exercise of the share subscription rights

The amount of property contributed upon exercise of the share subscription rights to be delivered shall be the amount derived by multiplying adjusted exercise price after the reorganization by the number of shares to be acquired upon exercise of the share subscription rights, taking into account the conditions of the internal reorganization and other factors.

(5) Exercise period of share subscription rights

It shall be from the later of the commencement date of the exercise period of the remaining share subscription rights set forth in "Exercise period of share subscription rights" above or the effective date of the internal reorganization, to the last day of the exercise period of the remaining share subscription rights set forth in "Exercise period of share subscription rights."

(6) Matters concerning the amount of increase in capital stock and additional paid-in capital resulting from issuance of shares upon exercise of share subscription rights

It shall be determined in accordance with “Share issue price and amount incorporated into capital per share in the event of issuance of shares upon exercise of share subscription rights” above.

(7) Restrictions on acquisition of share subscription rights by transfer

Acquisition of share subscription rights by transfer shall require approval by resolution of the board of directors (if the Reorganized Company is not a company with board of directors, then it shall be “by decision of directors”) of the Reorganized Company.

(8) Reasons and conditions for the acquisition of share subscription rights by the Reorganized Company

It shall be determined in accordance with the reasons and conditions for the acquisition of share subscription rights.

Reasons and conditions for the acquisition of share subscription rights are as follows:

(i) 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, a resolution for approval of a company split agreement or a company split plan in which the Company is the split 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 Company may acquire the share subscription rights without compensation on the date separately specified by the Board of Directors.

(ii) In the event that share subscription right holders can no longer meet the conditions for exercise stated in “Conditions for exercise of share subscription rights” above, the Company shall be able to acquire their share subscription rights without compensation.

(iii) In the event that share subscription right holders violate the provisions of the “Share Subscription Rights Allotment Agreement” entered into upon each issuance, the Company shall be able to acquire their share subscription rights without compensation.

(9) Conditions for exercise of share subscription rights

It shall be determined in accordance with “Conditions for exercise of share subscription rights” above.

(ii) [Rights plan]

None

(iii) [Share subscription rights for other uses]

None

(3) [Exercise of bond certificates with share subscription rights with exercise price amendment clause]

None

(4) [Trends in total number of shares issued and capital stock]

Date	Change in total number of shares issued (Thousands of shares)	Balance of total number of shares issued (Thousands of shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in additional paid-in capital (Millions of yen)	Balance of additional paid-in capital (Millions of yen)
June 30, 2010 (Note)	(20,000)	886,441	–	50,000	–	875,496

Note: The decrease in total number of shares issued is due to retirement of treasury stock based on the provisions of Article 178 of the Companies Act.

(5) [Classification of shareholders]

As of February 28, 2023

Category	Shares (Number of shares constituting one unit: 100 shares)								Odd-lot shares (Shares)
	Governmental organizations	Financial institutions	Securities companies	Other Japanese corporations	Foreign shareholders		Individuals Other	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	172	43	1,339	914	126	72,151	74,745	–
Number of shares held (Units)	–	2,898,228	759,918	1,301,804	2,928,919	458	969,860	8,859,187	523,283
Shareholding ratio (%)	–	32.71	8.58	14.69	33.06	0.01	10.95	100.00	–

Notes: 1. As for treasury stock of 1,836,199 shares, 18,361 units are included in “Individuals and others,” and 99 shares are included in “Odd-lot shares.” In addition, it is equal to the actual number of shares held as of February 28, 2023.

2. “Financial institutions” includes the shares of the Company held by the BIP Trust and the ESOP Trust of 7,532 units and 6,051 units, respectively. These shares are presented as treasury stock in the consolidated financial statements and the nonconsolidated financial statements.

3. “Other Japanese corporations” includes 10 units of shares under the name of Japan Securities Depository Center.

(6) [Major shareholders]

As of February 28, 2023

Name	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, 2-chome, Hamamatsucho, Minato-ku, Tokyo	121,723	13.76
Ito-Kogyo Co., Ltd.	12-3, Gobancho, Chiyoda-ku, Tokyo	70,701	7.99
Custody Bank of Japan, Ltd. (Trust account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	52,596	5.94
SMBC Nikko Securities Inc.	3-1, 3-chome, Marunouchi, Chiyoda-ku, Tokyo	34,588	3.91
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, 3-chome, Nihonbashi, Chuo-ku, Tokyo)	21,197	2.39
Masatoshi Ito	Minato-ku, Tokyo	19,658	2.22
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, 1-chome, Marunouchi, Chiyoda-ku, Tokyo (11-3, 2-chome, Hamamatsucho, Minato-ku, Tokyo)	17,672	1.99
VALUEACT CAPITAL MASTER FUND L.P. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	CRAIGMUIR CHAMBERS ROAD TOWN TORTOLA. BRITISH VIRGIN ISLANDS (11-1, 3-chome, Nihonbashi, Chuo-ku, Tokyo)	16,761	1.89
MITSUI & CO., LTD. (Standing proxy: Custody Bank of Japan, Ltd.)	2-1, 1-chome, Otemachi, Chiyoda-ku, Tokyo (8-12, 1-chome, Harumi, Chuo-ku, Tokyo)	16,222	1.83
JAPAN SECURITIES FINANCE CO., LTD.	2-10, 1-chome, Nihonbashi-Kayabacho, Chuo-ku, Tokyo	14,153	1.60
Total	–	385,274	43.55

Notes: 1. Of the number of shares of the Company held in The Master Trust Bank of Japan, Ltd. (Trust account), 118,846 thousand shares are shares owned in trust for trust business (such as securities investment trust).

2. Of the number of shares of the Company held in Custody Bank of Japan, Ltd. (Trust account), 44,854 thousand shares are shares owned in trust for trust business (such as securities investment trust).

3. Treasury stock excluded from the above shares issued does not include the shares of the Company held by the BIP Trust and the ESOP Trust.

4. The change report No. 28 for the substantial shareholding report available for public inspection as of October 20, 2022 states that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder Nikko Asset Management Co., Ltd. each owned the following shares as of October 14, 2022. However, since the Company cannot confirm the actual number of shares held as of February 28, 2023, they are not included in the above major shareholders.

Details of the change report No. 28 for the substantial shareholding report are as follows.

Name	Address	Number of shares, etc. held (Thousands of shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, 1-chome, Shibakoen, Minato-ku, Tokyo	36,662	4.14
Nikko Asset Management Co., Ltd.	7-1, 9-chome, Akasaka, Minato-ku, Tokyo	16,815	1.90

(7) [Voting rights]

(i) [Issued shares]

As of February 28, 2023

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 1,836,100	–	–
	(Cross-held shares) Common stock 50,500	–	
Shares with full voting rights (Other)	Common stock 884,032,100	8,840,321	–
Odd-lot shares	Common stock 523,283	–	–
Total number of shares issued	886,441,983	–	–
Total number of voting rights	–	8,840,321	–

Notes: 1. Common stock in “Shares with full voting rights (Other)” includes 1,000 shares of shares under the name of Japan Securities Depository Center. “Number of voting rights” includes 10 voting rights related to shares with full voting rights under the name of said center.

2. Common stock in “Shares with full voting rights (Other)” includes 753,290 shares (number of voting rights: 7,532) of the shares of the Company held by the BIP Trust and 605,195 shares (number of voting rights: 6,051) of the shares of the Company held by the ESOP Trust.

(ii) [Treasury stock, etc.]

As of February 28, 2023

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
(Treasury stock) Seven & i Holdings Co., Ltd.	8-8, Nibancho, Chiyoda-ku, Tokyo	1,836,100	–	1,836,100	0.20
(Cross-held shares) PRIME DELICA CO., LTD.	7-1, 1-chome, Asamizodai, Minami-ku, Sagamihara-shi, Kanagawa Pref.	45,400	–	45,400	0.00
(Cross-held shares) I ing Co., Ltd.	14, 2-chome, Kojimachi, Chiyoda-ku, Tokyo	5,100	–	5,100	0.00
Total	–	1,886,600	–	1,886,600	0.21

Note: The shares of the Company held by the BIP Trust and the ESOP Trust are not included in the above treasury stock.

(8) [Details of officer and employee share ownership programs]

(Performance-Based Stock Compensation Plan for Directors)

The Company has introduced a Performance-Based Stock Compensation Plan (hereinafter the "Plan") for Directors of the Company (excluding nonexecutive Directors and Directors residing overseas, the same applies hereinafter) using the Directors' Compensation BIP (Board Incentive Plan) Trust (hereinafter "BIP Trust"), mainly aiming to raise willingness to contribute to the improvement of medium- and long-term corporate value and to share interests with shareholders.

(i) Outline of the Plan

The Plan is a program in which shares of the Company and others are granted to persons eligible for the BIP Trust depending on the position and the achievement level of performance targets, etc. in each fiscal year.

The covered period of the BIP Trust shall be four fiscal years from the fiscal year ended February 29, 2020 to the fiscal year ended February 28, 2023 (hereinafter the "Covered Period"). When the BIP Trust is continued, the following three fiscal years shall be the new Covered Period.

(ii) Total number of shares or total amount of money to be acquired by officers

As compensation granted to persons eligible for the BIP Trust in the Covered Period, money of up to ¥800 million shall be contributed. In addition, the maximum number of points granted from the BIP Trust to persons eligible for the BIP Trust shall be 40,000 points per fiscal year (one point = one share of common stock).

(iii) Scope of persons who may receive beneficiary rights or other rights under the Plan

Of the Company's Directors, persons who meet the beneficiary requirements

(Performance-Based Stock Compensation Plan for executive officers)

The Company has introduced a Performance-Based Stock Compensation Plan (hereinafter the "Plan") for executive officers of the Company (excluding those residing overseas, the same applies hereinafter) using the Stock Grant Employee Stock Ownership Plan (ESOP) Trust (hereinafter “ESOP Trust”), mainly aiming to raise willingness to contribute to the improvement of medium- and long-term corporate value and to share interests with shareholders.

(i) Outline of the Plan

This is a program in which shares of the Company and others are granted to persons eligible for the ESOP Trust depending on the position and the achievement level of performance targets, etc. in each fiscal year.

The covered period of the ESOP Trust shall be four fiscal years from the fiscal year ended February 29, 2020 to the fiscal year ended February 28, 2023 (hereinafter the “Covered Period”). When the ESOP Trust is continued, the following three fiscal years shall be the new Covered Period.

(ii) Total number of shares or total amount of money to be acquired by officers

As compensation granted to persons eligible for the ESOP Trust in the Covered Period, money of up to ¥400 million shall be contributed. In addition, the maximum number of points granted from the ESOP Trust to persons eligible for the ESOP Trust shall be 20,000 points per fiscal year (one point = one share of common stock).

(iii) Scope of persons who may receive beneficiary rights or other rights under the Plan

Of the Company’s executive officers, persons who meet the beneficiary requirements

2. [Acquisition of treasury stock, etc.]

[Class of shares, etc.]

Acquisition of common stock that falls under the provisions of Article 155, item (vii) of the Companies Act

(1) [Acquisition by resolution of the shareholders’ meeting]

None

(2) [Acquisition by resolution of the Board of Directors]

None

(3) [Items not based on resolution of the shareholders’ meeting or Board of Directors]

Acquisition under the provisions of Article 155, item (vii) of the Companies Act

Classification	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended February 28, 2023	2,862	16,235,494
Treasury stock acquired during the period after the reporting period to the filing date of this report	203	1,226,173

Notes: 1. Treasury stock acquired during the period after the reporting period to the filing date of this report does not include the shares acquired through the purchase of odd-lot shares from May 1, 2023 until the filing date of this Annual Securities Report.

2. The number of shares of treasury stock acquired does not include the number of shares acquired by the BIP Trust and the ESOP Trust.

(4) [Status of disposal and ownership of acquired treasury stock]

Classification	Fiscal year ended February 28, 2023		Period after the reporting period to the filing date of this report	
	Number of shares (Shares)	Total value of disposal (Yen)	Number of shares (Shares)	Total value of disposal (Yen)
Treasury stock acquired for which subscribers were solicited	–	–	–	–
Treasury stock acquired which was retired	–	–	–	–
Treasury stock acquired which was transferred in association with a merger, share exchange, delivery of shares, or company split	–	–	–	–
Other (Sale of odd-lot shares based on demand for sale)	38	95,644	45	113,406
Number of shares of treasury stock	1,836,199	–	1,836,357	–

Notes: 1. The number of shares of treasury stock does not include the number of shares owned by the BIP Trust and the ESOP Trust.

2. Treasury stock owned in the period after the reporting period to the filing date of this report does not include shares resulting from the exercise of share subscription rights, purchase and sale of odd-lot shares from May 1, 2023 until the filing date of this Annual Securities Report.

3. [Dividend policy]

The Company intends to return profits to shareholders with a target total return ratio of 50% or more (accumulated from FY2023 to FY2025), while steadily and continuously increasing the dividend per share.

The Company follows a basic policy of paying dividends of surplus twice a year as interim dividend and year-end dividend. The body deciding on these dividends of surplus is the shareholders' meeting for year-end dividend, and the Board of Directors for interim dividend.

Dividends of surplus as of February 28, 2023 were ¥63.50 per share, including a commemorative dividend of ¥10 per share to celebrate the 50th anniversary of the establishment of SEVEN-ELEVEN JAPAN CO., LTD. Together with the interim dividend of ¥49.50 per share, annual dividends amounted to ¥113.00 per share.

The Company's policy is to promote accelerated growth by allocating retained earnings to strategic investments in the convenience store operations, the Group's growth driver, based on investment decisions taking capital efficiency into consideration.

The Articles of Incorporation stipulate that the Company "may, by resolution of the Board of Directors, pay an interim dividend with August 31 of each year as the record date."

Dividends of surplus for the fiscal year ended February 28, 2023 are as follows.

Date of resolution	Total amount of cash dividends (Millions of yen)	Dividend per share
October 6, 2022 Board of Directors	43,788	49.50 yen
May 25, 2023 Annual shareholders' meeting	56,172	63.50 yen

4. [Corporate governance, etc.]

(1) [Overview of corporate governance]

(i) Basic views on corporate governance

○ 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.

○ Corporate Action Guidelines

The spirit embraced in the "Corporate Creed" is an abiding universal philosophy no matter how significantly the social environment will change in the future, and the Company has formulated ideas needed to realize this philosophy as the "Corporate Action Guidelines."

The "Corporate Action Guidelines" shows the basic stance of all officers and employees of the Group, and is divided into the "basic policy," which stipulates views as a group and the "code of conduct," which sets forth principles of action. In addition, each group company has established guidelines and standards of conduct which reflect the views and principles at the concrete action level according to business categories, and these guidelines and standards of conduct, together with the Group's guidelines, are disseminated through training for new employees and newly appointed officers, etc. Moreover, the dissemination level of the Corporate Creed and compliance awareness is regularly confirmed with the "employee engagement survey."

○ Basic views on corporate governance

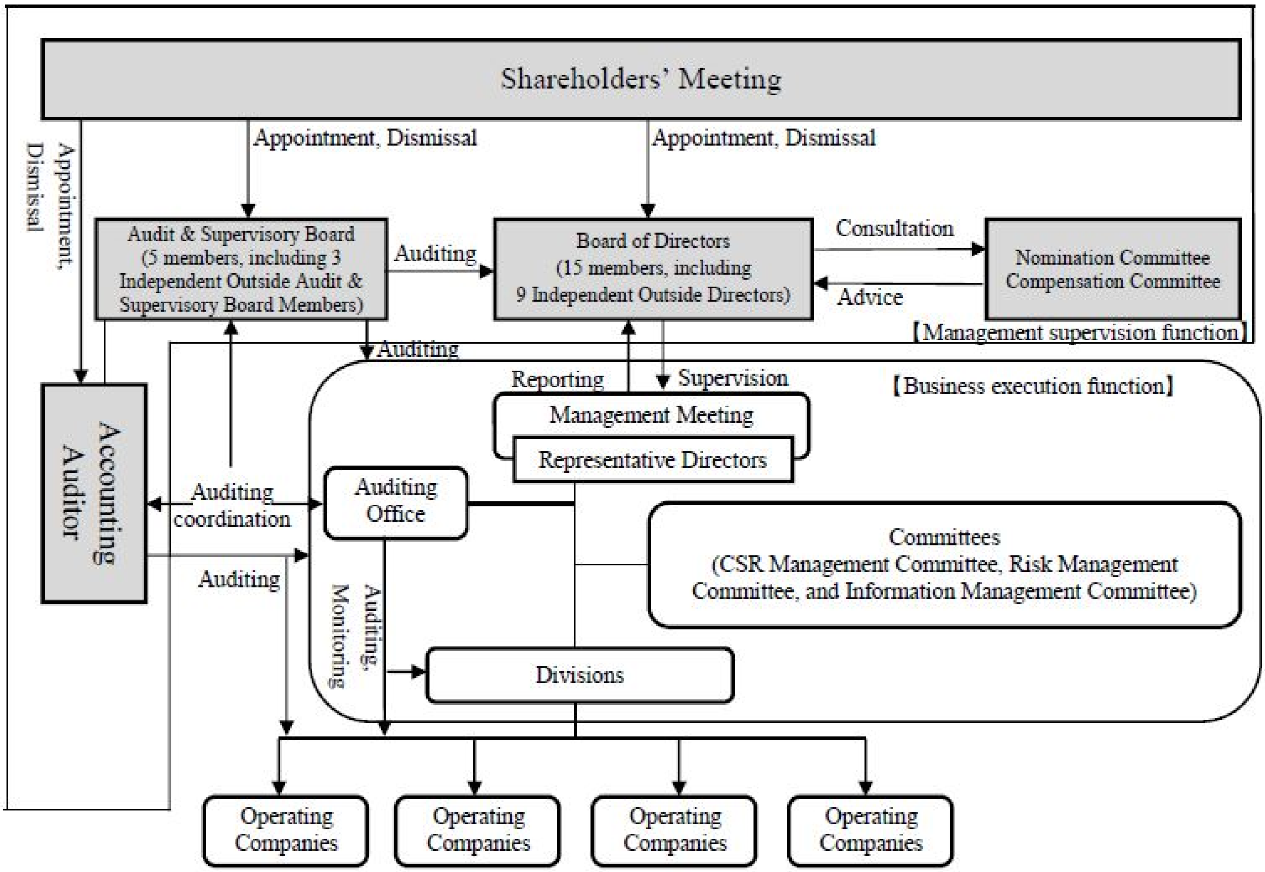
The Company considers corporate governance to be a system for sustainable growth by establishing and maintaining a sincere management structure and continuously increasing the Group's corporate value over the medium- and long-term in both financial and non-financial (ESG (Environment, Society, Governance)) 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.

(ii) Overview of corporate governance system and reasons for adopting the system

○ Corporate governance system

The Company's corporate governance system (as of May 26, 2023) is as follows:



○ Reason for adoption of current corporate governance system

The Company ensures the effectiveness of its corporate governance by coordinating "audits" conducted by the Audit & Supervisory Board Members (Audit & Supervisory Board), including multiple Outside Audit & Supervisory Board Members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting, through their actively cooperating with the accounting auditor and the internal audit division, and "formulation of management strategies" and "supervision of business execution" conducted by the Board of Directors (12 men and 3 women), including 9 Outside Directors who maintain their independence and have advanced management knowledge and experience. The Company has adopted this corporate governance structure because it judges the structure to be workable for realizing and ensuring the Company's corporate governance and for conducting appropriate and efficient corporate management.

○ Separation of the Board of Directors' supervisory functions and executive officers' business execution functions through introduction of the executive officer system

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 "supervision of business execution," while the executive officers can focus on "business execution." As of May 26, 2023, the Company had 24 executive officers (21 men and 3 women).

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 more timely manner.

○ Monitoring based on the Audit & Supervisory Board Member system

The Company conducts monitoring of management based on the Audit & Supervisory Board Member system. The Company's Audit & Supervisory Board is composed of 5 members (including 3 Outside Audit & Supervisory Board Members / 3 men and 2 women). For details of Audit & Supervisory Board Member audits, etc., please refer to "(3) Status of audits, (i) Audit & Supervisory Board Member audits, (ii) Internal audits, (iii) Coordination between Audit & Supervisory Board Member audits, internal audits and accounting audits, etc." provided below.

○ Oversight and audits by Outside Directors and Outside Audit & Supervisory Board Members who have independence

The Company has designated all Outside Directors (9 persons) and all Outside Audit & Supervisory Board Members (3 persons) as Independent Outside Directors and Independent Outside Audit & Supervisory Board Members based on the provisions of the financial instruments exchange, and oversight and audits are conducted by these Outside Directors and Outside Audit & Supervisory Board Members who have independence. For details of oversight and audits, etc. by Outside Directors and Outside Audit & Supervisory Board Members, please refer to "(2) Status of officers, (ii) Outside Directors and Outside Audit & Supervisory Board Members, (iii) Coordination between oversight or audits by Outside Directors or Outside Audit & Supervisory Board Members, and internal audits, Audit & Supervisory Board Member audits and accounting audits, and relationships with the internal control divisions" provided below. In addition, by resolution of the Board of Directors on March 9, 2023, the Company has established a Strategy Committee consisting solely of independent Outside Directors to monitor the progress of the Group's key strategies and continue comprehensive and objective analysis and verification of the optimal Group business structure and strategic options to realize those strategies. Based on the results of these verifications, the Strategy Committee aims to provide advice to the Board of Directors on how to improve the Group's corporate value over the medium to long term.

○ Nomination Committee and Compensation Committee system

The Company has established the Nomination Committee and the Compensation Committee, with the chairperson and a majority of the committee members being independent Outside Directors, as advisory bodies to the Board of Directors, in order to utilize the knowledge and advice of a more diverse range of Outside Directors and ensure more objectivity and transparency of procedures for appointment of Representative Directors, Directors, Audit & Supervisory Board Members and executive officers and determination of compensation, etc., and hence to improve the Board of Directors' supervisory functions and further enhance corporate governance functions.

○ Corporate governance by various committees

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

● CSR Management Committee

The Company has established the CSR Management Committee based on CSR Basic Rules for the purpose of promoting, administrating and supervising the CSR activities of the entire Group through operating activities in order to contribute to solving social issues and aim for sustainable growth for both society and the Group. The Company has also established five subcommittees under the CSR

Management Committee tasked with the examination and promotion of concrete measures to promote operating activities that will contribute to solving material issues (Materiality) identified to address the expectations and demands of stakeholders and realizing a more thorough compliance practice. Through these subcommittees, the Company has carried out initiatives to find solutions to issues and implemented preventive measures.

Under the CSR Management Committee, to resolve material issues (Materiality) that should be addressed by the Group, the Company tasks a subcommittee with each relevant issue: the “Environment Subcommittee” with helping mitigate climate change, depletion of resources, and other environmental burdens; the “Supply Chain Subcommittee” with building a sound supply chain that takes human rights and the environment into consideration and with improving quality and ensuring safety for merchandise and services; the “Corporate Ethics and Culture Subcommittee” with ensuring thorough awareness and adoption of the Corporate Creed and the Corporate Action Guidelines, building worker-friendly workplaces, promoting advancement of diverse human resources and improving the labor environments; the “Compliance Subcommittee” with strengthening compliance and internal controls; and the “Social Value Creation Subcommittee” with the planning, proposal and operation of new businesses originating from addressing social issues through the main business, by utilizing business characteristics and management resources. These subcommittees have formulated and carried out measures to address such individual issues on a group-wide basis.

Through the activities of these subcommittees, we will promote business activities that further ensure compliance and contribute to the resolution of the material issues (Materiality) related to stakeholders, while aiming for sustainable development of both society and our Group from an ESG perspective.

- Risk Management Committee

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

The Risk Management Committee receives reports from the departments in charge of risk management regarding the risk management status of their respective companies. The committee comprehensively determines, assesses, and analyzes risks and discusses measures, and determines the future direction going forward.

In recent years, the Risk Management Committee has been striving to improve the effectiveness of the entire Group’s risk management and to establish a PDCA cycle by building a framework to support and instruct each Group company in mitigating risks overseen by the Company’s department in charge of risk management, and also by adopting shared risk management indicators for the entire Group. In the fiscal year under review, the committee worked to strengthen coordination between the Company and each Group company, while identifying high-priority risks and further improving the system for preventing and mitigating risks as well as preventing their recurrence.

- Information Management Committee

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

In the fiscal year under review, as in the previous year, the committee continued working to strengthen its information collection and management system, and strengthened the system to collect important information from each Group company in a timely and appropriate manner and to cooperate with each other to deal with such information, as well as to centrally manage such information and report it to management and related departments without omission and without delay.

In addition, the committee is stepping up human, organizational, physical, and technical security measures by reviewing information handling procedures, strengthening management of contractors, and educating executives to strengthen the information security system to better respond to ever-evolving cyber attacks, as well as to comply with information security laws, regulations, and guidelines.

In particular, the committee conducted in-house training for all officers of the Group regarding the prevention of insider trading in order to familiarize them with the rules for the prevention of insider trading and to prevent insider trading from occurring, and to ensure the proper handling of information such as material facts.

The Information Management Committee is responsible for spreading these initiatives across the Group companies and setting the direction thereof, and helps them autonomously and continuously promote the initiatives by monitoring and evaluating them, with the aim of strengthening governance in information management.

○ Members of bodies established

Members of the Board of Directors, the Audit & Supervisory Board, the Nomination Committee, the Compensation Committee, the Management Meeting, the CSR Management Committee, the Risk Management Committee and the Information Management Committee are as follows (◎ indicates the chairperson or the committee chairperson).

Name	Position in the Company	Board of Directors	Audit & Supervisory Board	Nomination Committee	Compensation Committee	Management Meeting	CSR Management Committee	Risk Management Committee	Information Management Committee
Ryuichi Isaka	Representative Director and President Executive Officer and President Chief Executive Officer (CEO)	◎		○		◎	◎		
Katsuhiro Goto	Representative Director and Vice President Executive Officer and Vice President Chief Administrative Officer (CAO) Information Management Supervisor	○		○		○	○	○	◎
Junro Ito	Representative Director Senior Managing Executive Officer Chief Sustainability Officer (CSuO) General Manager of ESG Development Division Supervising Officer of Superstore operation	○			○	○	○	◎	○

Name	Position in the Company	Board of Directors	Audit & Supervisory Board	Nomination Committee	Compensation Committee	Management Meeting	CSR Management Committee	Risk Management Committee	Information Management Committee
Fumihiko Nagamatsu	Director Senior Managing Executive Officer Head of Domestic CVS operations (Japan)	○					○		
Joseph Michael DePinto	Director Senior Managing Executive Officer Head of Overseas CVS operations (North America)	○					○		
Yoshimichi Maruyama	Director Managing Executive Officer Chief Financial Officer (CFO) General Manager of the Corporate Finance & Accounting Division	○			○	○	○	○	○
Toshiro Yonemura	Independent Outside Director	○		○	◎				
Yoshiyuki Izawa	Independent Outside Director	○		○					
Meyumi Yamada	Independent Outside Director	○		◎					
Jenifer Simms Rogers	Independent Outside Director	○			○				
Shinji Wada	Independent Outside Director	○							
Fuminao Hachiuma	Independent Outside Director	○							
Paul Yonamine	Independent Outside Director	○			○				
Stephen Hayes Dacus	Independent Outside Director	○		○					
Elizabeth Miin Meyerdirk	Independent Outside Director	○							
Noriyuki Habano	Standing Audit & Supervisory Board Member		◎			○	○	○	○
Nobutomo Teshima	Standing Audit & Supervisory Board Member		○			○	○	○	○
Kazuhiro Hara	Independent Outside Audit & Supervisory Board Member		○						
Mitsuko Inamasu	Independent Outside Audit & Supervisory Board Member		○						
Kaori Matsuhashi (Real name: Kaori Hosoya)	Independent Outside Audit & Supervisory Board Member		○						

Name	Position in the Company	Board of Directors	Audit & Supervisory Board	Nomination Committee	Compensation Committee	Management Meeting	CSR Management Committee	Risk Management Committee	Information Management Committee
Kimiyoshi Yamaguchi	Managing Executive Officer Chief Communication Officer (CCO) Chief Human Resource Officer (CHRO) General Manager of the Corporate Communication Division					○	○	○	○
Masaki Saito	Managing Executive Officer Chief Information Officer (CIO), General Manager of the Group DX Division					○	○	○	○
Masato Ohtake	Executive Officer Chief Merchandising Officer (CMDO) General Manager of the Group Merchandise Strategy & Planning Division					○	○	○	○
Tamaki Wakita	Executive Officer Chief Strategy Officer (CSO) General Manager of the Corporate Planning Division					○	○	○	○
Seiji Oku	Executive Officer General Manager of the Corporate General Affairs & Legal Division					○	○	○	○
Takuya Enomoto	Executive Officer General Manager of the HR Division					○	○	○	○
Other members	Senior Officers of the CSR-related departments of the Company						○		
	Officers responsible for CSR promotion of operating companies						○		
	Senior Officers of the departments responsible for the management of risks of the Company							○	
	Officers responsible for information management of each department of the Company								○

Note: Because the name of Mr. Yoshiyuki Izawa contains a letter other than letters that are set usable based on the provisions of “Considerations regarding special provisions, etc. of procedures conducted by electronic data processing system for disclosure, etc.” and “file specifications for submitted documents” (Planning and Coordination Bureau of the Financial Services Agency), a letter that can be used in the Electronic Disclosure for Investors NETwork (EDINET) is used as a substitute.

(iii) Other matters concerning corporate governance

○ Status of development of internal control systems

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.

I Systems for ensuring that the execution of duties by the Company's and its subsidiaries' Directors and employees is compliant with laws, regulations, and the Articles of Incorporation

i The Company and its Group companies shall comply with the "Corporate Creed" and the "Corporate Action Guidelines," etc. In order to continue to be trusted and known for integrity, the Company and its Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, centered on the Company's CSR Management Committee; operate internal whistleblowing systems; promote fair trade; and disseminate the Corporate Action Guidelines and the guidelines of each company. In these ways, compliance shall be further enhanced.

ii The Company and its Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests, etc. 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.

II 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.

III 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., in order to minimize damage to the Company and all Group companies, a Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

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

i The details of the decision-making authority of the Directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the Decision Authority Regulations, etc. In this way, the Company and its Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.

ii To secure the sustained growth of the Company, the Company's Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as periodic reports from the Company's Directors and people responsible for operating divisions, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.

iii The Company's Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Company's Board of Directors shall be held or resolutions of the Company's Board of Directors shall be adopted through documents. Rapid decision making will be implemented and efficient administrative execution will be promoted. The Company shall comply with the Articles of Incorporation, Rules of the Board of Directors, etc. of the Company concerning specific operations of the Board of Directors.

V 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.

VI 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.

VII 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.

VIII 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 pursuant to the predetermined procedures.

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

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

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

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

IX 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.

X 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.

XI 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.

Summary of operational status of systems for ensuring appropriate operations is as follows:

I Status of the Company's corporate governance

The Company's Board of Directors 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 "supervision of business execution," while the executive officers can focus on "business execution." 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 Audit & Supervisory Board 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.

II 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.

III 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.

IV Efforts of each committee

The information is the same as information provided in “4. Corporate governance, (1) Overview of corporate governance, (ii) Overview of corporate governance system and reasons for adopting the system.”

○ Overview of the liability limitation agreement

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.

○ Overview of the directors’ and officers’ liability insurance contract

The Company has entered into a directors’ and officers’ liability insurance contract, as stipulated in Article 430-3, paragraph (1) of the Companies Act, with an insurance company. Directors and Audit & Supervisory Board Members will be insured under the contract. The brief overview of the said insurance contract is as follows:

I Scope of the insured individuals

Directors, Audit & Supervisory Board Members, and executive officers of the Company and its subsidiaries (excluding certain subsidiaries)

II The ratio of premiums to be actually borne by the insured individuals

The Company will bear the full amount of insurance premiums, and thus, the insured individuals need not to bear any premiums.

III Outline of insured events covered by the said insurance

The contract covers damage (including the legal compensation for damages and legal fees) that may be incurred by the insured individuals due to claims filed against them in relation to the execution of their duties as officers of the Company (including omissions) during the insurance term. However, the coverage is subject to certain exclusions, such as in cases where violations of laws and regulations were knowingly committed.

(iv) Number of Directors

The Articles of Incorporation stipulate that the number of Directors of the Company shall be no more than 15.

(v) Requirements for resolution of election of Directors

The Company has stipulated in its Articles of Incorporation that resolutions to elect Directors shall be adopted by a majority of the voting rights of the shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders entitled to exercise voting rights are present, and that no cumulative voting shall be used in resolutions to elect Directors.

(vi) Matters requiring resolution at a shareholders' meeting that shall be able to be resolved by the Board of Directors

I The Articles of Incorporation stipulate that pursuant to the provisions of Article 165, paragraph (2) of the Companies Act, the Company may acquire its own shares by resolution of the Board of Directors. This is aimed to allow flexible implementation of a capital policy that addresses changes in the business environment.

II The Articles of Incorporation stipulate that pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may, by resolution of the Board of Directors, exempt Directors (including former Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liability for damages under Article 423, paragraph (1) of the Companies Act where the requirements set forth in laws and regulations are satisfied, to the extent of the amount obtained by deducting the minimum amount of liability set forth in laws or regulations from the amount of liability for damages. This is aimed to prevent from undermining flexibility of the management and the management's overly shrinking due to careful and detailed examination more than necessary with more complex and diversified duties of Directors, and from Audit & Supervisory Board Members' excessively putting a brake on managerial judgments of Directors which results in hampering efficiency of the management in the situation where the scope of Directors' business execution that is subject to audits is very complex and extensive, and to allow Directors and Audit & Supervisory Board Members to play their expected role sufficiently in carrying out their duties.

III The Articles of Incorporation stipulate that pursuant to the provisions of Article 454, paragraph (5) of the Companies Act, the Company may, by resolution of the Board of Directors, pay an interim dividend with August 31 of each year as the record date. This is aimed to flexibly provide returns on profits to shareholders.

(vii) Requirements for special resolutions at the shareholders' meeting

The Company has stipulated in its Articles of Incorporation that special resolutions at the shareholders' meeting set forth in Article 309, paragraph (2) of the Companies Act shall be adopted by two-thirds or more of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders entitled to exercise voting rights are present. This is aimed to smoothly run a shareholders' meeting by reducing the quorum for special resolution at a shareholders' meeting.

(2) [Status of officers]

(i) Directors and Audit & Supervisory Board Members

Men: 15, Women: 5 (ratio of female officers: 25.0%)

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Representative Director and President Executive Officer and President Chief Executive Officer (CEO)	Ryuichi Isaka	October 4, 1957	Mar. 1980	Joined SEVEN-ELEVEN JAPAN CO., LTD.	(Note 3)	15
			May 2002	Director of SEVEN-ELEVEN JAPAN CO., LTD.		
			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		
			May 2016	Representative Director and President of the Company (incumbent) Executive Officer and President of the Company (incumbent)		
			May 2020	Member of the Nomination Committee of the Company (incumbent)		
			Apr. 2023	Chief Executive Officer (CEO) of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Representative Director and Vice President Executive Officer and Vice President Chief Administrative Officer (CAO) Information Management Supervisor	Katsuhiro Goto	December 20, 1953	July 1989	Joined SEVEN-ELEVEN JAPAN CO., LTD.	(Note 3)	15
			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		
			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		
			May 2020	Member of the Nomination Committee of the Company (incumbent)		
			Aug. 2020	Information Management Supervisor of the Company (incumbent)		
			Mar. 2022	Director of SEVEN-ELEVEN JAPAN CO., LTD. (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
			Apr. 2023	Chief Administrative Officer (CAO) of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history	Term of office	Number of shares of the Company owned (Thousands of shares)
Representative Director Senior Managing Executive Officer Chief Sustainability Officer (CSuO) General Manager of ESG Development Division Supervising Officer of Superstore operation	Junro Ito	June 14, 1958	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 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 Head of the Corporate Development Office of the Company Mar. 2017 Director of Ito-Yokado Co., Ltd. Mar. 2018 General Manager of the Corporate Development Division of the Company July 2019 Outside Director of AIN HOLDINGS INC. (incumbent) May 2020 Member of the Compensation Committee of the Company (incumbent) Sept. 2021 Representative Director of Ito-Kogyo Co., Ltd. (incumbent) Apr. 2023 Representative Director of the Company (incumbent) Senior Managing Executive Officer of the Company (incumbent) Chief Sustainability Officer (CSuO) of the Company (incumbent) General Manager of ESG Development Division of the Company (incumbent) Supervising Officer of Superstore operation of the Company (incumbent)	(Note 3)	3,173

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director Senior Managing Executive Officer Head of Domestic CVS operations (Japan)	Fumihiko Nagamatsu	January 3, 1957	Mar. 1980	Joined SEVEN-ELEVEN JAPAN CO., LTD.	(Note 3)	14
			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)		
			Apr. 2023	Senior Managing Executive Officer of the Company (incumbent) Head of Domestic CVS operations (Japan) of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director Senior Managing Executive Officer Head of Overseas CVS operations (North America)	Joseph Michael DePinto	Novem-ber 3, 1962	Sept. 1995	Joined Thornton Oil Corporation	(Note 3)	6
			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.		
			Aug. 2010	Director of Brinker International, Inc. (Non-Executive)		
			Nov. 2013	Chairman of the Board of Brinker International, Inc. (Non-Executive) (incumbent)		
			May 2015	Director of the Company (incumbent)		
			Mar. 2021	Director of DHC Acquisition Corp. (Non-Executive) (incumbent)		
			Apr. 2023	Senior Managing Executive Officer of the Company (incumbent) Head of Overseas CVS operations (North America) of the Company (incumbent)		
			May 2023	Director and Chief Executive Officer (CEO) of 7-Eleven, Inc. (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director Managing Executive Officer Chief Financial Officer (CFO) General Manager of the Corporate Finance & Accounting Division	Yoshimichi Maruyama	November 2, 1959	Apr. 1982	Joined The Long-Term Credit Bank of Japan, Limited	(Note 3)	1
			July 2008	Joined the Company		
			May 2012	Senior Officer of the Risk Management Department of the Company		
			Nov. 2014	Senior Officer of the Information Management & Security Office of the Company		
			July 2016	Senior Officer of the Corporate Planning Department of the Company		
			Dec. 2016	Senior Officer of the Corporate Development Department of the Company		
			May 2017	Executive Officer of the Company Senior Officer of the Finance Planning Department of the Company Representative Director and President of SEVEN & i Financial Center Co., Ltd. (incumbent)		
			Oct. 2017	Representative Director and President of Seven & i Asset Management Co., Ltd.		
			Mar. 2018	General Manager of the Corporate Finance & Accounting Division of the Company (incumbent)		
			May 2020	Director of the Company (incumbent)		
			Mar. 2022	Managing Executive Officer of the Company (incumbent)		
			May 2022	Member of the Compensation Committee of the Company (incumbent)		
			Apr. 2023	Chief Financial Officer (CFO) of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Toshiro Yonemura	April 26, 1951	Apr. 1974	Joined the National Police Agency	(Note 3)	–
			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)		
			Mar. 2016	Member of the Nomination and Compensation Committee of the Company		
			May 2020	Member of the Nomination Committee of the Company (incumbent)		
			Dec. 2021	Outside Director of Kansaidengyosha Co., Ltd. (incumbent)		
			Dec. 2022	Chair of the Compensation Committee of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Yoshiyuki Izawa	February 10, 1948	Apr. 1970	Joined MITSUI & CO., LTD.	(Note 3)	0
			June 2000	Director of MITSUI & CO., LTD.		
			Apr. 2004	Executive Managing Officer of MITSUI & CO., LTD.		
			Apr. 2007	Senior Executive Managing Officer of MITSUI & CO., LTD.		
			June 2007	Representative Director, Senior Executive Managing Officer of MITSUI & CO., LTD.		
			Apr. 2008	Representative Director, Executive Vice President of MITSUI & CO., LTD. (Retired in November 2009)		
			Dec. 2009	President & CEO, Representative Executive Officer of JAPAN POST BANK Co., Ltd.		
			June 2010	Director and Representative Executive Officer, Executive Vice President of JAPAN POST HOLDINGS Co., Ltd.		
			June 2013	Director of JAPAN POST HOLDINGS Co., Ltd.		
			May 2015	Chairman & CEO, Representative Director of BlackRock Japan Co., Ltd.		
			Apr. 2021	Director and Chairman of BlackRock Japan Co., Ltd. (Retired in March 2022)		
			May 2022	Outside Director, Member of the Audit & Supervisory Committee of Nitori Holdings Co., Ltd. (incumbent) Outside Director of the Company (incumbent)		
			June 2022	Outside Director of Sanoh Industrial Co., Ltd. (incumbent)		
			Dec. 2022	Member of the Nomination Committee of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Meyumi Yamada	August 30, 1972	Apr. 1995	Joined KOEI KOGYO Co., Ltd.	(Note 3)	–
			May 1997	Joined Kiss Me Cosmetics Co., Ltd. (currently ISEHAN Co., Ltd.)		
			July 1999	Representative Director of istyle LLC		
			Apr. 2000	Representative Director of istyle Inc.		
			Dec. 2009	Director of istyle Inc. (incumbent)		
			May 2012	Representative Director and President of Cyberstar Co., Ltd.		
			Sept. 2015	Director of MEDIA GLOBE CO., LTD. (incumbent)		
			Mar. 2016	Representative Director and President of ISPartners Inc.		
			Sept. 2016	Director of Eat Smart, Inc.		
			June 2017	Outside Director of JAPAN POST INSURANCE Co., Ltd. Outside Director of SEINO HOLDINGS CO., LTD. (incumbent)		
			Nov. 2019	Director of ISPartners Inc.		
			June 2021	Outside Director of Sompo Holdings, Inc. (incumbent)		
			May 2022	Outside Director of the Company (incumbent) Member of the Nomination Committee of the Company		
			May 2023	Chair of the Nomination Committee of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Jenifer Simms Rogers	June 22, 1963	Sept. 1989	Joined Haight Gardner Poor & Havens (currently Holland & Knight LLP)	(Note 3)	–
			Dec. 1990	Registered as Attorney at Law (the State of New York)		
			Feb. 1991	Joined Industrial Bank of Japan Limited (currently Mizuho Bank, Ltd.)		
			Dec. 1994	Joined Merrill Lynch Japan Securities Co., Ltd.		
			Nov. 2000	Merrill Lynch Europe Plc		
			July 2006	Merrill Lynch (Asia Pacific) Limited (currently Bank of America Corporation) (Hong Kong)		
			Jan. 2012	Bank of America Merrill Lynch (currently Bank of America Corporation) (New York)		
			Nov. 2012	General Counsel Asia of Asurion Asia Pacific Limited (Hong Kong)		
			June 2015	External Director of Mitsui & Co., Ltd. (incumbent)		
			June 2018	Outside Director of Kawasaki Heavy Industries, Ltd. (incumbent)		
			June 2019	Outside Director of Nissan Motor Co., Ltd. (incumbent)		
			Jan. 2021	President of American Chamber of Commerce in Japan		
			May 2022	Outside Director of the Company (incumbent) Member of the Compensation Committee of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Shinji Wada	April 3, 1952	Mar. 1977	Joined NIPPON GAS CO., LTD.	(Note 3)	–
			June 1997	Director of NIPPON GAS CO., LTD.		
			June 2000	Managing Director of NIPPON GAS CO., LTD.		
			Mar. 2003	Director of Tobu Gas CO., Ltd. (currently Tosai Gas, Inc.) (incumbent)		
			June 2004	Senior Managing Director of NIPPON GAS CO., LTD.		
			June 2005	Representative Director, President of NIPPON GAS CO., LTD.		
			June 2012	Director of KUMONO UCYUSEN CO., LTD. (incumbent)		
			Aug. 2017	Director of Tokyo Energy Alliance Co., Ltd. (incumbent)		
			June 2020	Representative Director, Chief Executive Officer of NIPPON GAS CO., LTD.		
			May 2022	Chairman, Director, Executive Officer of NIPPON GAS CO., LTD. (incumbent)		
			May 2023	Outside Director of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Fuminao Hachiuma	December 8, 1959	Apr. 1983	Joined Ajinomoto Co., Inc.	(Note 3)	–
			July 1998	President of PT AJINOMOTO SALES INDONESIA		
			July 2008	Director and Vice President of America Ajinomoto, Inc.		
			June 2013	Corporate Executive Officer of Ajinomoto Co., Inc.		
			June 2015	Corporate Vice President of Ajinomoto Co., Inc. Representative Director, President of J-OIL MILLS, Inc.		
			June 2016	Representative Director, President and CEO of J-OIL MILLS, Inc.		
			Apr. 2022	Director of J-OIL MILLS, Inc.		
			May 2023	Outside Director of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Paul Yonamine	August 20, 1957	June 1979	Joined Peat, Marwick, Mitchell & Co. (currently KPMG LLP)	(Note 3)	–
			May 1983	Registered as U.S. Certified Public Accountant		
			Apr. 1995	Managing Partner of KPMG LLP Hawaii		
			Mar. 1997	Representative Partner of KPMG Global Solutions LLC (currently PwC Advisory LLC)		
			Aug. 2001	Representative Partner and Chairman of KPMG Global Solutions LLC		
			Apr. 2006	President and CEO of Hitachi Consulting Co., Ltd.		
			May 2010	VP & CFO of IBM Japan, Ltd.		
			Apr. 2013	Vice President of IBM Japan, Ltd.		
			Jan. 2015	President of IBM Japan, Ltd.		
			Mar. 2017	Director of GCA Corporation		
			June 2017	Director of Central Pacific Bank		
			July 2017	Director and Chairman of GCA Corporation		
			Oct. 2018	Director and Non-executive Chairman of GCA Corporation Chairman & CEO of Central Pacific Financial Corp. Executive Chairman of Central Pacific Bank		
			June 2019	Outside Director of Sumitomo Mitsui Banking Corporation (incumbent)		
			Dec. 2020	Outside Director of circlace Inc. (incumbent)		
			May 2022	Outside Director of the Company (incumbent)		
			Jan. 2023	Chairman Emeritus & Director (Non Executive Director) of Central Pacific Financial Corp. (incumbent) Chairman Emeritus & Director (Non Executive Director) of Central Pacific Bank (incumbent)		
			May 2023	Member of the Compensation Committee of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Stephen Hayes Dacus	November 7, 1960	Sept. 1983	Joined Northrop Corporation (currently Northrop Grumman Corporation)	(Note 3)	–
			Sept. 1985	Joined Coopers & Lybrand L.L.P. (currently Pricewaterhouse Coopers)		
			Mar. 1994	Joined Mars, Incorporated		
			June 2001	CEO of MasterFoods Ltd.		
			Sept. 2005	Senior Vice President of FAST RETAILING CO., LTD.		
			July 2007	Senior Vice President of Walmart Stores, Inc.		
			Apr. 2010	Executive Vice President of Walmart Japan Holdings G.K. (currently Seiyu Holdings Co., Ltd.)		
			June 2011	CEO of Walmart Japan Holdings G.K.		
			Oct. 2015	Outside Director of Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES LTD.)		
			July 2016	Chairman and Representative Director of Sushiro Global Holdings Co., Ltd.		
			May 2019	Non-executive Director of Hana Group SAS		
			June 2019	CEO of Hana Group SAS		
			July 2020	Chairman of the Supervisory Board of Hana Group SAS (incumbent)		
			Nov. 2021	Chairman of Daiso California L.L.C. (incumbent)		
			May 2022	Outside Director of the Company (incumbent)		
			Dec. 2022	Member of the Nomination Committee of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Director	Elizabeth Miin Meyerdirk	December 1, 1981	June 2003	Joined Morgan Stanley	(Note 3)	–
			Aug. 2005	Joined TCMI, Inc.		
			Feb. 2009	Senior Director of MedeAnalytics, Inc.		
			July 2009	Associate Vice President of MedeAnalytics, Inc.		
			Feb. 2011	Senior Director of Practice Fusion, Inc.		
			Jan. 2012	Vice President of Practice Fusion, Inc.		
			Mar. 2012	Vice President of viagogo Entertainment, Inc.		
			June 2015	Head of Strategy & Business Development, at Uber Eats, Uber Technologies, Inc.		
			June 2018	Senior Director & Head of Strategy & Business Development at Uber Eats, Uber Technologies, Inc.		
			Sept. 2019	Senior Director & Head of Strategy & Business Development; Head of Ads Marketplace at Uber Eats, Uber Technologies, Inc.		
			Dec. 2020	Chairwoman & CEO of Hey Favor, Inc. (incumbent)		
			May 2022	Outside Director of the Company (incumbent)		

Title	Name	Date of birth	Brief personal history	Term of office	Number of shares of the Company owned (Thousands of shares)
Standing Audit & Supervisory Board Member	Noriyuki Habano	February 10, 1958	Mar. 1980 Joined Ito-Yokado Co., Ltd. Jan. 2006 Senior Officer of the Group Communication, the Public Relations Center of the Company May 2008 Executive Officer of the Company Senior Officer of the Society and Culture Development Department of the Company Sept. 2008 Executive Officer of Ito-Yokado Co., Ltd. Sept. 2014 Senior Officer of the Auditing Office of the Company Oct. 2014 Audit & Supervisory Board Member of York Mart Co., Ltd. (currently York Co., Ltd.) May 2017 Audit & Supervisory Board Member of Sogo & Seibu Co., Ltd. (incumbent) Standing Audit & Supervisory Board Member of the Company (incumbent) May 2019 Audit & Supervisory Board Member of Ito-Yokado Co., Ltd. (incumbent)	(Note 4)	5
Standing Audit & Supervisory Board Member	Nobutomo Teshima	June 15, 1962	Oct. 1991 Joined SEVEN-ELEVEN JAPAN CO., LTD. Feb. 2008 General Manager of the Accounting Administrative Department of SEVEN-ELEVEN JAPAN CO., LTD. Jan. 2013 Senior Officer of the Operational Support Department of the Company Sept. 2017 Senior Officer of the Accounting Management Department of the Company Mar. 2018 Executive Officer of the Company Mar. 2019 Senior Officer of the Auditing Office of the Company Mar. 2021 Audit & Supervisory Board Member of York-Benimaru Co., Ltd. (incumbent) May 2022 Audit & Supervisory Board Member of SEVEN-ELEVEN JAPAN CO., LTD. (incumbent) Standing Audit & Supervisory Board Member of the Company (incumbent)	(Note 4)	3

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Audit & Supervisory Board Member	Kazuhiro Hara	Febru-ary 25, 1954	Aug. 1983	Joined Chuo Accounting Office	(Note 4)	–
			Mar. 1985	Registered as a Certified Public Accountant		
			July 2007	Joined Ernst & Young ShinNihon (currently Ernst & Young ShinNihon LLC)		
			July 2016	Director of Hara Certified Accounting Office (incumbent)		
			Nov. 2016	Registered as a Certified Tax Accountant Director of Hara Kazuhiro Tax Accountant Office (incumbent)		
			Sept. 2017	Representative Director of Hara Consulting Office		
			May 2018	Outside Audit & Supervisory Board Member of the Company (incumbent)		
Audit & Supervisory Board Member	Mitsuko Inamasu	March 15, 1976	Oct. 2000	Registered as an Attorney at Law (Tokyo Bar Association) Joined Hattori Law Office (incumbent)	(Note 4)	–
			May 2018	Outside Audit & Supervisory Board Member of the Company (incumbent)		
			June 2022	Outside Director, Audit & Supervisory Committee Member of NTT Data Corporation (incumbent)		

Title	Name	Date of birth	Brief personal history		Term of office	Number of shares of the Company owned (Thousands of shares)
Audit & Supervisory Board Member	Kaori Matsuhashi (Real name: Kaori Hosoya)	June 7, 1969	Apr. 2006	Registered as a Certified Public Accountant	(Note 4)	–
			July 2006	Joined Asset Investors, Inc. (currently MBK Co., Ltd.)		
			Nov. 2007	General Manager of the Corporate Planning Division of Asset Investors, Inc.		
			Mar. 2008	Joined MK Capital Management Corporation (currently IDERA Capital Management Ltd.) 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.		
			May 2019	Outside Audit & Supervisory Board Member of the Company (incumbent)		
			May 2022	Outside Director (Member of the Audit and Supervisory Committee) of YASKAWA Electric Corporation (incumbent)		
					Total	3,235

Notes: 1. Directors Toshiro Yonemura, Yoshiyuki Izawa, Meyumi Yamada, Jenifer Simms Rogers, Shinji Wada, Fuminao Hachiuma, Paul Yonamine, Stephen Hayes Dacus, and Elizabeth Miin Meyerdirk are Independent Outside Directors.

2. Audit & Supervisory Board Members Kazuhiro Hara, Mitsuko Inamasu, and Kaori Matsuhashi are Independent Outside Audit & Supervisory Board Members.

3. The term of office of the Director is one year starting from May 2023.

4. The term of office of Standing Audit & Supervisory Board Member Noriyuki Habano is four years starting from May 2021; the term of office of Standing Audit & Supervisory Board Member Nobutomo Teshima and Outside Audit & Supervisory Board Members Kazuhiro Hara and Mitsuko Inamasu is four years starting from May 2022; and the term of office of Outside Audit & Supervisory Board Member Kaori Matsuhashi is four years starting from May 2023.

5. The Company has introduced the executive officer system, which makes each person's sphere of responsibility and performance target more clear, makes decision-making and implementation in management speedier and more efficient, allows each person to focus on their operational execution, and clarifies the business management and oversight functions and functions of executing targets on which a policy decision was made.

   Of the 24 executive officers, those who do not serve concurrently as Director are the following 18 persons.

Title	Name
Managing Executive Officer, Head of Superstore operations, General Manager of Superstore operations	Seiichiro Ishibashi
Managing Executive Officer, Head of Finance Services, General Manager of Finance Services	Tsuyoshi Kobayashi
Managing Executive Officer, Chief Communications Officer (CCO), Chief Human Resource Officer (CHRO), General Manager of the Corporate Communication Division	Kimiyoshi Yamaguchi
Managing Executive Officer, Chief Information Officer (CIO), General Manager of the Group DX Division	Masaki Saito
Managing Executive Officer	Takuji Hayashi
Managing Executive Officer	Yukio Mafune
Managing Executive Officer	Tetsuya Yamamoto
Executive Officer, Head of Overseas CVS operations (International)	Shinji Abe
Executive Officer, Chief Merchandising Officer (CMDO), General Manager of the Group Merchandise Strategy & Planning Division	Masato Ohtake
Executive Officer, Chief Strategy Officer (CSO), General Manager of the Corporate Planning Division	Tamaki Wakita
Executive Officer, General Manager of the Corporate General Affairs & Legal Division	Seiji Oku
Executive Officer, General Manager of the HR Division	Takuya Enomoto
Executive Officer, Deputy Manager of the Corporate Finance & Accounting Division	Yasukiyo Toda
Executive Officer, Deputy Manager of the Group Merchandise Strategy & Planning Division	Junko Waseda
Executive Officer, Senior Officer of the Sustainability Development Department	Mayumi Tsuryu
Executive Officer, Senior Officer of the Corporate Management Department	Shinya Ishii
Executive Officer, Senior Officer of the Corporate Governance Management Department	Nobuyuki Miyaji
Executive Officer, Senior Officer of the Public Relations Center	Yuki Oda

(ii) Outside Directors and Outside Audit & Supervisory Board Members

I View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards

- Designation of Independent Directors and Independent Audit & Supervisory Board Members

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

- 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.

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 nonconsolidated revenues from operations of the Company in the most recent accounting period"
   - With regard to donations, "less than ¥10 million"

II Main activities of Outside Directors and Outside Audit & Supervisory Board Members

- Attendance and remarks at meetings of the Board of Directors and the Audit & Supervisory Board during the fiscal year ended February 28, 2023

(Outside Directors)

Name	Attendance at the meetings of the Board of Directors (Attendance rate)	Main remarks made and summary of duties performed with respect to the roles expected of Outside Directors
Kunio Ito	17/17 100.0%	Mr. Kunio Ito gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing his opinions based on his broad high level knowledge and experience regarding finance, accounting, economics, ESG (Environment, Society, Governance), risk management, etc.
Toshiro Yonemura	17/17 100.0%	Mr. Toshiro Yonemura gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing his opinions based on his broad high level knowledge and experience regarding organizational management, risk management, etc.
Yoshiyuki Izawa	11/12 91.7%	Mr. Yoshiyuki Izawa gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing his opinions based on his broad high level knowledge and experience regarding international corporate management, management administration, finance, capital market, etc.
Meyumi Yamada	12/12 100.0%	Ms. Meyumi Yamada gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing her opinions based on her broad high level knowledge and experience regarding DX (digital transformation), organizational management, marketing, sustainability, etc.
Jenifer Simms Rogers	12/12 100.0%	Ms. Jenifer Simms Rogers gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing her opinions based on her broad high level knowledge and experience regarding global legal affairs, risk management, finance, accounting, sustainability, etc.
Paul Yonamine	12/12 100.0%	Mr. Paul Yonamine gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing his opinions based on his broad high level knowledge and experience regarding DX (digital transformation), organizational management, finance, accounting, etc.
Stephen Hayes Dacus	12/12 100.0%	Mr. Stephen Hayes Dacus gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing his opinions based on his broad high level knowledge and experience regarding organizational management, marketing, finance, accounting, etc.
Elizabeth Miin Meyerdirk	12/12 100.0%	Ms. Elizabeth Miin Meyerdirk gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing her opinions based on her broad high level knowledge and experience regarding DX (digital transformation), marketing, finance, accounting, etc.
Tetsuro Higashi	13/14 92.9%	Mr. Tetsuro Higashi gave advice and made proposals to ensure the validity and appropriateness of the Board of Directors' decision making, primarily by expressing his opinions based on his broad high level knowledge and experience regarding international corporate management, management administration, finance, accounting, etc.

Notes: 1. Each of Directors Yoshiyuki Izawa, Meyumi Yamada, Jenifer Simms Rogers, Paul Yonamine, Stephen Hayes Dacus, and Elizabeth Miin Meyerdirk attended the meeting of the Board of Directors held after his/her appointment on May 26, 2022.

2. Mr. Tetsuro Higashi resigned as a Director of the Company on December 31, 2022.

(Outside Audit & Supervisory Board Members)

Name	Attendance at the meetings of the Board of Directors (Attendance rate)	Attendance at the meetings of the Audit & Supervisory Board (Attendance rate)	Main remarks
Kazuhiro Hara	17/17 100.0%	26/26 100.0%	Mr. Kazuhiro Hara asked questions and expressed his opinions as he deemed appropriate, with his abundant experience and technical knowledge related to finance, accounting, tax and risk management.
Mitsuko Inamasu	17/17 100.0%	26/26 100.0%	Ms. Mitsuko Inamasu asked questions and expressed her opinions as she deemed appropriate, with her abundant experience and technical knowledge related to overall corporate legal affairs and risk management.
Kaori Matsuhashi	17/17 100.0%	26/26 100.0%	Ms. Kaori Matsuhashi asked questions and expressed her opinions as she deemed appropriate, with her abundant experience and technical knowledge related to finance, accounting, management administration and risk management.

・ Exchanges of opinions with Directors, etc.

In addition to meetings of the Board of Directors, Outside Directors and Outside Audit & Supervisory Board Members meet with the Representative Directors, Directors, Standing Audit & Supervisory Board Members, and others. These meetings including Management Opinion Exchange Meetings are held on a regular and as-needed basis. The themes are set for each of the meetings, centered on various management issues and matters of high social concern. Reports are provided by Directors, the internal control divisions, and so forth, regarding the status of business execution and internal control at the Company and its Group companies, and explanations are given in response to questions from the Outside Directors and Outside Audit & Supervisory Board Members, who also express their opinions regarding the Company's management, corporate governance, and other topics based on their respective expert knowledge and wide-ranging, high-level experience and insight into management. In these and other ways, the Outside Directors and Outside Audit & Supervisory Board Members coordinate with each other while exchanging frank and lively opinions.

The Outside Directors and Outside Audit & Supervisory Board Members also exchange 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 perform audits of operational execution and accounting practices.

・ Functions and roles of Outside Directors and Outside Audit & Supervisory Board Members

The Outside Directors and Outside Audit & Supervisory Board Members provide supervision or audits and advice and proposals from an external perspective based on their respective expertise and wide-ranging, high-level experience and insight into management from an objective and neutral standpoint with no risk of conflict of interest with general shareholders, and fulfill the function and role of ensuring valid and appropriate decision-making and business execution by the Board of Directors.

・ Support system for Outside Directors and Outside Audit & Supervisory Board Members

The Company has assigned dedicated staff to assist the Outside Directors and Outside Audit & Supervisory Board Members in their duties, enabling close coordination and smooth exchange of information with the internal Directors and internal Audit & Supervisory Board Members. The Company has entered into liability limitation agreements with each Outside Director and each Outside Audit & Supervisory Board Member to ensure that their expected roles are fully fulfilled. These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.

III Personal relationships, capital relationships or trading relations, or other interest between Outside Directors and Outside Audit & Supervisory Board Members, and the Company

There are no special personal relationships, capital relationships or trading relations, or other interest between nine Outside Directors and three Outside Audit & Supervisory Board Members, and the Company.

In addition, other than compensation for serving as Directors and Audit & Supervisory Board Members, the Company does not pay any fees for services as a legal, accounting or tax expert or as a consultant to each Independent Outside Director or Independent Outside Audit & Supervisory Board Member.

(iii) Coordination between oversight or audits by Outside Directors or Outside Audit & Supervisory Board Members, and internal audits, Audit & Supervisory Board Member audits and accounting audits, and relationships with the internal control divisions

Outside Directors and Outside Audit & Supervisory Board Members work to make coordination with Audit & Supervisory Board Member audits, internal audits and accounting audits through exchange of opinions, etc. with the Board of Directors, the Audit & Supervisory Board, Directors and others, and oversee and audit the status of establishment and operation of internal control systems. At the Board of Directors' meeting, as well as reports on accounting audits and reports on Audit & Supervisory Board Member audits, reports on internal audits are periodically made by the Auditing Office, and the status of internal control, etc. is also reported by the internal control divisions on an as-needed basis. For the status of the coordination in audits by Outside Audit & Supervisory Board Members, please also refer to information provided in "Coordination between Audit & Supervisory Board Member audits, internal audits and accounting audits" above.

(3) [Status of audits]

(i) Audit & Supervisory Board Member audits

(a) Organization, personnel and procedures for Audit & Supervisory Board Member audits

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members).

The Company has elected Audit & Supervisory Board Members who possess a respectable level of knowledge on finance and accounting as follows.

- Standing Audit & Supervisory Board Member Nobutomo Teshima was engaged in operations relating to finance and accounting in the finance and accounting division in the Company and its Group companies.
- Audit & Supervisory Board Member Kazuhiro Hara is a certified public accountant and certified tax accountant.
- Audit & Supervisory Board Member Kaori Matsuhashi is a certified public accountant.

In addition, the Audit & Supervisory Board has established the Audit & Supervisory Board Members Office and has two dedicated staff members to support Audit & Supervisory Board Members.

(b) Activities of the Audit & Supervisory Board and its members

The Audit & Supervisory Board held a total of 26 meetings during the fiscal year ended February 28, 2023. The average time required per meeting was approximately one and a half hours. The Audit & Supervisory Board receives reports on, discusses or resolves important matters related to audits.

Attendance at meetings of the Audit & Supervisory Board and the Board of Directors is as follows:

Title	Name	Attendance at the meetings held in the fiscal year ended February 28, 2023	
		Audit & Supervisory Board	Board of Directors
Standing Audit & Supervisory Board Member	Noriyuki Habano	100.0% (26/26)	100.0% (17/17)
Standing Audit & Supervisory Board Member	Yoshitake Taniguchi (Note 1)	100.0% (7/7)	100.0% (5/5)
Standing Audit & Supervisory Board Member	Nobutomo Teshima (Note 2)	94.7% (18/19)	100.0% (12/12)
Independent Outside Audit & Supervisory Board Member	Kazuhiro Hara	100.0% (26/26)	100.0% (17/17)
Independent Outside Audit & Supervisory Board Member	Mitsuko Inamasu	100.0% (26/26)	100.0% (17/17)
Independent Outside Audit & Supervisory Board Member	Kaori Matsuhashi	100.0% (26/26)	100.0% (17/17)

Notes: 1. For Mr. Yoshitake Taniguchi, the number of meetings he attended until he retired at the conclusion of the 17th Annual Shareholders' Meeting held on May 26, 2022 is shown.

2. For Mr. Nobutomo Teshima, the number of meetings he attended after his election and assumption of office at the said meeting is shown.

The fiscal year under review is the second year of implementation of the Group's key strategies under the "Medium-Term Management Plan 2021-2025."

The Audit & Supervisory Board examines possible risks in these business activities, and focuses on as key audit items: 1) monitoring the progress of the overseas convenience store operation strategy, domestic convenience store operation strategy, Group food strategy, large-scale commercial base strategy, last mile strategy, DX strategy, sustainable management, business portfolio review, etc.; and 2) verifying the status of development and operation of the governance system that supports each strategy.

Each Audit & Supervisory Board Member attends the Board of Directors meetings, Management Opinion Exchange meetings and other meetings and expresses opinions where necessary, as well as exchanges opinions with Representative Directors, periodically interviews Directors, etc. regarding the status of business execution, and makes proposals based on audit reports and audit findings.

Standing Audit & Supervisory Board Members attend meetings of the Management Meeting, the CSR Management Committee, the Risk Management Committee, the

Information Management Committee and other meetings, review documents whereby an important decision is made such as circular decision-making documents (*ringisho*), and investigate the status of business operations and assets of the head office, etc. In addition, as for subsidiaries, they share information with subsidiaries' Directors and Audit & Supervisory Board Members, etc. and implement audits by visiting subsidiaries' head office and stores and investigating the actual state of businesses based on the audit plan, and other means. Important matters obtained through these activities are reported at the Audit & Supervisory Board meetings.

Furthermore, as an internal whistleblowing system that is independent of the execution functions, the "Audit & Supervisory Board Hotline," which receives reports and provides consultation for actions violating laws and regulations, social norms and internal rules in relation to the top management team such as the Group's Directors, Audit & Supervisory Board Members and executive officers, has been operated.

(ii) Internal audits

In order to enhance and reinforce its internal auditing function, the Company has appointed, within the Auditing Office, the "operational auditing staff" and the "internal control evaluation staff," which are independent internal auditing divisions. The "operational auditing staff" has an oversight function to verify and provide guidance on internal auditing, including the status of the maintenance and management of compliance systems, by core operating companies or to directly audit them, and an internal auditing function for auditing the Company, the holding company, and performs these operations. The "internal control evaluation staff" evaluates internal controls regarding the financial reporting of the whole Group. (The Auditing Office had 26 members as of May 26, 2023.)

The results of internal audits and evaluations of internal controls regarding the financial reporting are reported to Representative Directors, each executive officer in charge, the Board of Directors, and also to the Audit & Supervisory Board for coordination with audits by the Audit & Supervisory Board Members.

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

(a) Coordination between the Audit & Supervisory Board Members, the Auditing Office, and the accounting auditor

In order to improve the overall quality of audits, the Company ensures that the Audit & Supervisory Board Members, the Auditing Office, and the accounting auditor proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tri-partite meetings.

Coordination method	Schedule	Proceedings
Tri-partite meetings	April, October	Exchanges information on the performance of accounting audits with the accounting auditor, the performance of internal audits with the Auditing Office, and the performance of Audit & Supervisory Board Member audits with the Audit & Supervisory Board Members and conducts exchanges of opinions.

(b) Coordination between the Audit & Supervisory Board Members and the accounting auditor

The Audit & Supervisory Board Members receive reports from the accounting auditor at the beginning of the fiscal year on the annual audit plan, and on the procedures and results of accounting audits and internal control audits on a quarterly basis, and exchange opinions to coordinate with them.

Coordination method	Schedule	Proceedings
Explanation of audit and quarterly review plans	June	Receives an explanation of the audit plan and proposed audit fees for the fiscal year from the accounting auditor.
Report of quarterly review results	July, October, January	Receives reports on quarterly review results from the accounting auditor and exchanges opinions.
Interview with Audit & Supervisory Board Members	January	The accounting auditor conducts interviews and exchanges opinions with the Audit & Supervisory Board Members.
Exchange of opinions on key audit matters (KAM)	June, July, October, January, April	Receives explanations from the accounting auditor on matters that may become KAM and on the draft text thereof, reviews their contents, and exchanges opinions. Examines the appropriateness of information disclosure.
Report on audit results under the Companies Act	April	Receives a report on the audit results under the Companies Act from the accounting auditor.
Report on audit results under the Financial Instruments and Exchange Act	May	Receives a report on the audit results under the Financial Instruments and Exchange Act from the accounting auditor.

(c) Coordination between the Audit & Supervisory Board Members and the Auditing Office

The Audit & Supervisory Board Members and the Auditing Office ensure comprehensive sharing of audit information between each other in order to improve the quality of audits.

Coordination method	Schedule	Proceedings
Regular meetings between the Standing Audit & Supervisory Board Members and the Auditing Office	Monthly	Receives reports from the Auditing Office on the audit plan, the results of operational audits, the progress of internal control evaluations, etc., and exchanges opinions. The Standing Audit & Supervisory Board Members report important matters to Outside Audit & Supervisory Board Members.
Information sharing and exchange of opinions on the status and results of internal audits	June	Receives reports on the results of operational audits and activity status from the Auditing Office and exchanges opinions.
Report on the status and results of evaluations of internal controls regarding the financial reporting	Quarterly	Receives reports from the Auditing Office on the internal controls regarding the Group’s financial reporting as stipulated by the Financial Instruments and Exchange Act.

(d) At each audit, the Audit & Supervisory Board Members, the Auditing Office, and the accounting auditor 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.

(iv) Accounting audits

(a) Name of auditing firm

KPMG AZSA LLC

(b) Continuous audit period

17 years

For the fiscal year ended February 28, 2007, joint audits were performed with MISUZU Audit Corporation.

(c) Certified public accountants who executed the audit duties

Masahiko Chino, Designated Engagement Partner

Masahiro Sasaki, Designated Engagement Partner

Daisuke Nakamura, Designated Engagement Partner

(d) Composition of support staff for the auditing team

Support staff for the auditing team in the fiscal year ended February 28, 2023 were as follows.

14 certified public accountants and 31 others

(e) Policy and basis for selection of the auditing firm

The Audit & Supervisory Board obtains necessary materials and reports from Directors, relevant internal departments and the accounting auditor, and assesses independence and the status of development of quality control system, etc. as an auditing firm, and skills, experience and abilities as an auditing team, auditing method, status of audit results, etc., based on the "assessment basis for the accounting auditor" prepared by the Audit & Supervisory Board to make a selection.

In addition, if the accounting auditor is in the situation that falls under any event set forth in items of Article 340, paragraph (1) of the Companies Act, the Company's Audit & Supervisory Board considers dismissing the accounting auditor. When the dismissal is deemed appropriate, the accounting auditor is dismissed in accordance with the agreement of all Audit & Supervisory Board Members. Furthermore, if it is deemed necessary to change the accounting auditor, taking into account the performance of duties of the accounting auditor and the Company's audit system, the Company's Audit & Supervisory Board decides to submit a proposal on non-reappointment of the accounting auditor to a shareholders' meeting.

(f) Assessment of the auditing firm by the Audit & Supervisory Board and its members

The Audit & Supervisory Board and its members continued to make an assessment through cooperation with the accounting auditor, observation of the accounting auditor's on-site inspection of business offices, etc. during the fiscal year, judged that there was no special problem in audits by KPMG AZSA LLC, the accounting auditor, including judgment on reasonableness of the accounting auditor's audits based on the "assessment basis for the accounting auditor" prepared by the Audit & Supervisory Board, and resolved to reappoint the accounting auditor.

(v) Details of audit-related compensation

(a) Compensation for auditing certified public accountants

(Millions of yen)

Category	Fiscal year ended February 28, 2022		Fiscal year ended February 28, 2023	
	Compensation for audit attestation	Compensation for non-auditing services	Compensation for audit attestation	Compensation for non-auditing services
The Company	165	77	157	–
Consolidated subsidiaries	687	15	728	17
Total	852	92	886	17

(Fiscal year ended February 28, 2022)

Details of non-auditing services for the Company are support for application of accounting standards for revenue recognition, and other services, which are services other than operations set forth in Article 2, paragraph (1) of the Certified Public Accountants Act of Japan.

In addition, details of non-auditing services for consolidated subsidiaries are validation services for the status of design and operation of internal control in contracted businesses and other services.

(Fiscal year ended February 28, 2023)

Details of non-auditing services for consolidated subsidiaries are validation services for the status of design and operation of internal control in contracted businesses and other services.

(b) Compensation for organizations which belong to the same network (KPMG) as the auditing certified public accountants (excluding (a))

(Millions of yen)

Category	Fiscal year ended February 28, 2022		Fiscal year ended February 28, 2023	
	Compensation for audit attestation	Compensation for non-auditing services	Compensation for audit attestation	Compensation for non-auditing services
The Company	–	234	–	986
Consolidated subsidiaries	402	314	437	173
Total	402	549	437	1,160

(Fiscal year ended February 28, 2022)

Details of non-auditing services for the Company are advisory services for accounting and tax affairs related to the Group’s strategy and other services.

In addition, details of non-auditing services for consolidated subsidiaries are support services for tax affairs and other services.

(Fiscal year ended February 28, 2023)

Details of non-auditing services for the Company are advisory services for accounting and tax affairs related to the Group’s strategy and other services.

In addition, details of non-auditing services for consolidated subsidiaries are support services for tax affairs and other services.

(c) Details of other material compensation for audit attestation

None

(d) Policy for determining audit-related compensation

The Company determines audit-related compensation for auditing certified public accountants, etc. with the consent of the Audit & Supervisory Board through consultation with auditing certified public accountants, etc., comprehensively taking into account the number of auditing days, details of audits and other factors.

(e) Basis of consent to the amount of compensation, etc. for the accounting auditor by the Audit & Supervisory Board

The Audit & Supervisory Board decided to provide consent as set forth in Article 399, paragraph (1) of the Companies Act as for the amount of compensation, etc. for the accounting auditor after conducting necessary verifications on details of its audit plans, performance of duties for accounting audits, and whether the calculation base for estimates of the compensation amount is appropriate.

(4) [Compensation, etc. of Directors and Audit & Supervisory Board Members]

Matters regarding policies on determining the amount of compensation, etc. of Directors and Audit & Supervisory Board Members and calculation method thereof

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

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

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

2. Compensation levels

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

3. Compensation composition

(1) Operating Directors

(a) Compensation composition ratios

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

The ratio of performance-based and stock-based compensation for Representative Directors is set higher in order to promote the sharing of profits and risks with our shareholders who have medium- and long-term perspectives.

	Fixed compensation	Performance-based compensation	
		Bonuses	Stock-based compensation
Representative Directors	35%	30%	35%
Directors	50%	25%	25%
	← Monetary compensation	→	← Stock-based compensation →

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

(b) Composition

(i) Fixed compensation

- A fixed monetary compensation commensurate with the responsibilities of each position will be paid.
- Compensation will be paid monthly during the term of office.

(ii) Performance-based compensation (bonuses)

- Short-term incentive compensation will be a performance-based compensation that varies based on the Company's business performance and individual evaluations, etc., for the relevant fiscal year.
- Compensation will be paid annually after the Company's business performance and individual evaluations, etc., for the relevant fiscal year have been confirmed.
- The KPIs for performance-based compensation (bonuses) are per the table below. While evaluating the cash-generating capability in the main business, for incorporating the shareholders' viewpoint, consolidated net income is also used together as a KPI.

(KPIs for performance-based compensation (bonuses))

KPIs	Ratio	Purpose of evaluation	Fiscal year ended February 28, 2023 Targets	Fiscal year ended February 28, 2023 Results
(a) Consolidated operating CF (excluding financial services) (*)	60%	Evaluation of the capability of generating cash by the main business	¥760.5 billion	¥832.8 billion
(b) Consolidated net income	40%	Evaluation of the degree of achievement of budgeted net income	¥240.0 billion	¥280.9 billion

<Coefficient formula pertaining to performance-based compensation (bonuses)>

Coefficient pertaining to performance-based compensation (bonuses) = {(a) + (b)} × (c)

(a) "Consolidated operating CF (excluding financial services) (*)" related coefficient × 60%

(b) "Consolidated net income" related coefficient × 40%

(c) "Individual evaluations" related coefficient

・ When evaluating KPIs, the range of compensation of Representative Directors is set wider by using different coefficients pertaining to performance-based compensation (bonuses) from other Directors, so that the compensation of Representative Directors will be more affected by the link to performance.

・ The coefficient pertaining to performance-based compensation (bonuses) will vary depending on, not only an evaluation of KPI, but also individual evaluations.

(*) A management accounting figure based on NOPAT (excluding financial services)

(iii) Performance-based and stock-based compensation

・ Medium- and long-term incentive compensation will be a performance-based and stock-based compensation that varies based on the Company's business performance, management indicators, non-financial indicators, etc. (introduction of the BIP Trust system (*) as a stock-based compensation system was resolved at the Annual Shareholders' Meeting held in May 2019).

・ Performance-based and stock-based compensation will enhance sharing profits and risks with our shareholders who have medium- and long-term perspectives by providing points during the term of office based on which shares will be delivered.

・ The initial covered period shall be four fiscal years starting from the fiscal year ended February 29, 2020 and the subsequent covered periods shall be per three fiscal years.

・ Shares will be delivered to Directors upon their retirement.

・ Points to be granted for each fiscal year will be calculated by multiplying the standard points based on their position by a coefficient pertaining to performance-based and stock-based compensation and will vary between 0% and 200% depending on the achievement level of targets, etc.

・ The KPIs for performance-based and stock-based compensation are per the table below. In order to incorporate medium- and long-term shareholder perspectives, consolidated ROE and consolidated EPS are used as indicators, and the degree of achievement of these indicators will be evaluated.

・ The Company, aiming for the balance of corporate value and social value, added a target to reduce the amount of CO_2 emissions under the environmental declaration called "GREEN CHALLENGE 2050" made in May 2019, as an indicator of the KPIs for performance-based and stock-based compensation from the fiscal year ended February 28, 2021.

・ The degree of improvement in employee engagement is added as the KPI for performance-based and stock-based compensation from the fiscal year ended February 28, 2023 to further promote the creation of an environment that allows various human resources to exercise their abilities, and to ensure the strengthening of corporate competitiveness through increased employee motivation to contribute.

(*) A BIP (Board Incentive Plan) trust is an incentive plan for officers established with reference to a performance share plan and a restricted share compensation plan in the U.S.

(KPIs for performance-based and stock-based compensation)

KPIs	Ratio	Purpose of evaluation	Fiscal year ended February 28, 2023 Targets	Fiscal year ended February 28, 2023 Results
(a) Consolidated ROE	60%	Evaluation of profitability against equity	7.9%	8.7%
(b) Consolidated EPS	40%	Evaluation of net income from shareholders' viewpoint	271.76 yen	318.14 yen
(c) CO_2 emissions	See the formula below	Evaluation of the degree of promotion of reducing the environmental burden	2,169,699 t	1,970,726 t

<Coefficient formula pertaining to performance-based and stock-based compensation>

Coefficient pertaining to performance-based and stock-based compensation = {(a) + (b)} × {(c) + (d)}

(a) "Consolidated ROE" related coefficient × 60%

(b) "Consolidated EPS" related coefficient × 40%

(c) "CO2 emissions" related coefficient

(d) "Employee engagement" related coefficient

- When evaluating KPIs, the range of compensation of Representative Directors is set wider by using different coefficients pertaining to performance-based and stock-based compensation from other Directors, so that the compensation of Representative Directors will be more affected by the link to performance.
- If an eligible Director commits a material illegal or unlawful act, no shares under this system will be delivered to such Director (malus) or the Company may request that such Director refund money corresponding to the shares delivered to him/her (clawback).

Notes: 1. The CO_2 emissions result is FY2021 data.

2. The CO_2 emissions target for FY2022 is calculated on the assumption that emissions are reduced evenly each year from the FY2018 results until FY2030 when we plan to achieve 30% reduction in emissions from the Group's store operations compared to FY2013.

3. "Employee engagement" related coefficient is determined by the Compensation Committee's overall evaluation.

(2) Outside Directors and Audit & Supervisory Board Members

(a) Compensation composition ratios

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

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

(b) Composition

Fixed compensation

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

4. Compensation governance

(1) Compensation Committee

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

(2) Method of determining compensation

This Policy, a basic policy on compensation of officers, has been determined by the Board of Directors through deliberations by the Compensation Committee. Based on this Policy, the amount of compensation of each Director is deliberated by the Compensation Committee in accordance with the evaluation of each Director's function, degree of contribution, and the Group's results, as well as the degree of achievement of KPIs, and then determined by the Board of Directors based on the reports submitted by the Compensation Committee.

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

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

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

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

(1) Directors

- Monetary compensation

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

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

- Stock-based compensation

  3 fiscal years/not more than ¥1,200 million (not more than ¥400 million per fiscal year)

  Limit on the points granted per fiscal year: 80,000 points (1 point = 1 share of common stock)

  (Resolved at the 17th Annual Shareholders' Meeting held on May 26, 2022, separately from monetary compensation)

(2) Audit & Supervisory Board Members

- Monetary compensation

  Not more than ¥200 million per year

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

6. Reasons the Board of Directors has deemed that compensation, etc. of each Director pertaining to the fiscal year ended February 28, 2023 aligns with the determination policy

   The determination of details of compensation, etc. of each Director pertaining to the fiscal year ended February 28, 2023 is made by the Board of Directors, which receives a report from the Compensation Committee, and the Board of Directors has determined that it is in line with the determination policy as the decision is based on a report by the Compensation Committee, which is an advisory body to the Board of Directors, after deliberation by the Compensation Committee in accordance with the evaluation of each Director's function, degree of contribution, and the Group's results, as well as the degree of achievement of KPIs based on the policy on compensation of Directors and Audit & Supervisory Board Members stated in (i) above.

(ii) Total amount of compensation, etc. for each officer category, total amount of compensation, etc., by type, and number of eligible officers

Classification of Directors/Audit & Supervisory Board Members	Number of eligible Directors/ Audit & Supervisory Board Members	Total amount of compen-sation, etc. (Millions of yen)	Total amount of compensation, etc., by type (Millions of yen)			
			Fixed compensation	Performance-based compensation (Note 6)		
				Bonus	Stock-based compensation (BIP Trust)	Non-monetary compensation, etc., among those listed on the left
Directors (excluding Outside Directors)	8	548	225	150	171	171 (Note 8)
Outside Directors	11	190	190	–	–	–
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	77	77	–	–	–
Outside Audit & Supervisory Board Members	3	56	56	–	–	–

Notes: 1. The above includes four Directors (including two Outside Directors) and one Audit & Supervisory Board Member who retired at the conclusion of the 17th Annual Shareholders' Meeting held on May 26, 2022, and one Outside Director who resigned on December 31, 2022.

2. The 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). The number of Directors related to the said resolution of the Annual Shareholders' Meeting is 16.
4. The 17th Annual Shareholders' Meeting held on May 26, 2022 resolved as follows regarding compensation amounts for Directors' stock-based compensation (BIP Trust). The number of Directors related to the said resolution of the Annual Shareholders' Meeting is 4. 3 fiscal years / not more than ¥1.2 billion (however, for the covered period beginning in FY2019, a total of ¥1 billion for 4 fiscal years)

   Limit on the points granted per fiscal year: 80,000 points (1 point = 1 share of common stock)
5. It was resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019 that the annual amount of compensation paid to Audit & Supervisory Board Members shall not exceed ¥200 million. The number of Audit & Supervisory Board Members related to the said resolution of the Annual Shareholders' Meeting is 5.
6. The amount of performance-based compensation above includes the amount of provision for bonuses for directors (and other officers) and provision for share awards for directors (and other officers) in the fiscal year under review.
7. Stock-based compensation (BIP Trust) was granted to four (4) Directors (excluding Outside Directors).
8. The total amount of non-monetary compensation, etc. for Directors (excluding Outside Directors) consists of stock-based compensation (BIP Trust) of ¥171 million.

(iii) Total amount of consolidated compensation, etc. for each officer

Name	Classification of Directors/ Audit & Supervisory Board Members	Company category	Total amount of compensation, etc., by type (Millions of yen)					Total amount of consolidated compensation, etc. (Millions of yen) (Note 1)
			Fixed compensation	Performance-based compensation (Note 2)			Retirement benefits to Directors and Audit & Supervisory Board Members	
				Bonus	Stock-based compensation (BIP Trust)	Non-monetary compensation, etc., among those listed on the left (Note 3)		
Ryuichi Isaka	Director	The Company	75	67	80	80	–	246
	Director	SEVEN-ELEVEN JAPAN CO., LTD.	–	–	–	–	19	
	Director	7-Eleven, Inc.	3	–	–	–	–	
Katsuhiro Goto	Director	The Company	51	44	53	53	–	160
	Director	Seven Bank, Ltd.	10	–	–	–	–	
Fumihiko Nagamatsu	Director	The Company	6	–	–	–	–	135
	Director	SEVEN-ELEVEN JAPAN CO., LTD.	49	35	40	40	–	
	Director	7-Eleven, Inc.	3	–	–	–	–	
Joseph Michael DePinto	Director	The Company	21	–	–	–	–	3,787
	Director	7-Eleven, Inc. (Note 4)	247	3,518	–	–	–	

Notes: 1. Information is provided only on persons whose total amount of consolidated compensation, etc. is ¥100 million or more.

2. The amount of performance-based compensation above includes the amount of provision for bonuses for directors (and other officers) and provision for share awards for directors (and other officers) in the fiscal year under review.

3. The total amount of non-monetary compensation, etc., is all stock-based compensation (BIP trust).

4. The compensation structure of 7-Eleven, Inc.'s President & CEO consists of "fixed compensation," which is fixed pecuniary compensation, and "short-term incentives" and "long-term incentives," which are performance-based pecuniary compensation, emphasizing the relationship between performance and corporate value and aiming to increase morale and the motivation to contribute to the mid- to long-term enhancement of 7-Eleven, Inc.'s performance and corporate value. In order to encourage the achievement of performance targets, more than 90% of the total compensation is performance-based compensation, which is paid according to the degree of target achievement. Compensation is paid in local currency. In 2022, fixed compensation of U.S.$1,883 thousand and bonuses of U.S.$26,729 thousand were paid and converted to yen at ¥131.62 to the dollar and are shown. The compensation levels of 7-Eleven, Inc.'s President & CEO refer to the compensation levels in the U.S. market, and factor in the knowledge of external evaluation organizations, from the perspective of securing and retaining talented personnel, etc. The amount of compensation is ultimately determined by resolution of the board of directors of 7-Eleven, Inc., after discussion by the Company's Compensation Committee, to secure objectivity and transparency in the decision-making process.

(5) [Status of shareholdings]

Standard and approach for the classification of investment shares

The Company does not hold any so-called shares held for a pure investment purpose which are aimed to gain profits solely through changes in value of the shares or dividends on the shares. The Company holds shares for which there is an accepted rational for doing so, such as maintaining or strengthening business alliances or business relationships, in order to maintain and strengthen business competitiveness, as cross-shareholdings, and classifies them as shares held for other than pure investment purposes.

I Information on SEVEN-ELEVEN JAPAN CO., LTD., which is the company whose carrying amount of investment shares (recorded amount of investment shares) is the largest (largest holding company) among the Company and its consolidated subsidiaries, is as follows.

(i) Investment shares held for any purpose other than a pure investment purpose

(a) Holding policy and method of verifying the reasonableness of shareholding, and details of verification of appropriateness of holding of individual issues in the Board of Directors, etc.

In principle, SEVEN-ELEVEN JAPAN CO., LTD. does not hold listed cross-shareholdings except where there is an accepted rational for doing so, such as maintaining or strengthening business alliances or business relationships, in order to maintain and strengthen business competitiveness. Stocks held are reviewed annually and shares with less rationale for or less effectiveness of holding are to be sold in view of the circumstances of the investee companies.

The Company's Board of Directors assesses the following matters regarding the rationale for and effectiveness of holding listed cross-shareholdings of SEVEN-ELEVEN JAPAN CO., LTD. and makes comprehensive decisions regarding the appropriateness of holding said shares, taking into account details of verification by SEVEN-ELEVEN JAPAN CO., LTD.
Qualitative matters: (a) Background of acquisition, (b) Presence or absence of business relationship, (c) Strategic significance at the time of holding, (d) Possibility of future business, (e) Risks related to survival or stability, etc. of business if shares are not held, and (f) Continuity of advantages, future outlook for business, and risks if shares continue to be held
Quantitative matters: (a) The most recent amounts of transactions and profits if any business is conducted through business alliances, etc., (b) Annual dividends received and gain or loss on valuation of shares, and (c) Whether the benefits and risks from each holding cover the Company's cost of capital

(b) Number of stocks and the amount recorded on the balance sheet

	Number of stocks (Stocks)	Total amount recorded on the balance sheet (Millions of yen)
Unlisted shares	6	613
Shares other than unlisted shares	15	33,606

(Stocks whose number of shares increased in the fiscal year ended February 28, 2023)

	Number of stocks (Stocks)	Total acquisition costs associated with increase in number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	–	–	–
Shares other than unlisted shares	–	–	–

(Stocks whose number of shares decreased in the fiscal year ended February 28, 2023)

	Number of stocks (Stocks)	Total sale value associated with decrease in number of shares (Millions of yen)
Unlisted shares	–	–
Shares other than unlisted shares	–	–

(c) Information on the number of shares, carrying amount, etc. of specified investment shares and deemed shareholdings by issue

Specified investment shares

Stock	Fiscal year ended February 28, 2023	Fiscal year ended February 28, 2022	Purpose of shareholding, quantitative effectiveness of shareholding and reason for increase in number of shares (Note 1)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Nomura Research Institute, Ltd.	7,804,500	7,804,500	Reinforcement of business collaboration in system operations, etc., of the Group companies	Yes
	23,725	31,022		
WARABEYA NICHIYO HOLDINGS CO., LTD.	2,195,400	2,195,400	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	4,079	4,026		
PIA Corporation	704,700	704,700	Reinforcement of business collaboration with the Group operating companies in relation to ticket sales	No
	2,209	2,269		
STI Foods Holdings, Inc.	500,000	500,000	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	1,342	1,030		
The Hachijuni Bank, Ltd.	700,000	700,000	Reinforcement of business collaboration in financial transactions, etc., with the Group companies	Yes
	431	305		

Stock	Fiscal year ended February 28, 2023	Fiscal year ended February 28, 2022	Purpose of shareholding, quantitative effectiveness of shareholding and reason for increase in number of shares (Note 1)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Sumitomo Mitsui Financial Group, Inc.	59,300	59,300	Reinforcement of business collaboration in financial transactions, etc., with the Group companies	No (Note 2)
	354	244		
PICKLES CORPORATION	280,000	280,000	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	328	422		
Mebuki Financial Group, Inc.	819,000	819,000	Reinforcement of business collaboration in financial transactions, etc., with the Group companies	No (Note 2)
	299	221		
NAKAMURAYA CO., LTD.	70,000	70,000	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	213	233		
MS&AD Insurance Group Holdings, Inc.	39,300	39,300	Reinforcement of business collaboration in financial transactions, etc., with the Group companies	No (Note 2)
	174	153		
Kyushu Financial Group, Inc.	300,000	300,000	Reinforcement of business collaboration in financial transactions, etc., with the Group companies	No (Note 2)
	155	123		
MEGMILK SNOW BRAND Co., Ltd.	82,800	82,800	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	146	168		
Resona Holdings, Inc.	76,700	76,700	Reinforcement of business collaboration in financial transactions, etc., with the Group companies	No (Note 2)
	57	39		
ITOCHU-SHOKUHIN Co., Ltd.	10,000	10,000	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	49	49		
KITOKU SHINRYO CO., LTD.	10,000	10,000	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	Yes
	39	35		

Notes: 1. Although the quantitative effects of shareholding are not indicated in view of confidentiality of contracts and agreements pertaining to individual transactions, the Company's Board of Directors assesses the following matters regarding the rationale for and effectiveness of holding listed cross-shareholdings of SEVEN-ELEVEN JAPAN CO., LTD. and makes comprehensive decisions regarding the appropriateness of holding

said shares, taking into account details of verification by SEVEN-ELEVEN JAPAN CO., LTD.
Qualitative matters: (a) Background of acquisition, (b) Presence or absence of business relationship, (c) Strategic significance at the time of holding, (d) Possibility of future business, (e) Risks related to survival or stability, etc. of business if shares are not held, and (f) Continuity of advantages, future outlook for business, and risks if shares continue to be held
Quantitative matters: (a) The most recent amounts of transactions and profits if any business is conducted through business alliances, etc., (b) Annual dividends received and gain or loss on valuation of shares, and (c) Whether the benefits and risks from each holding cover the Company's cost of capital

2. Although the company whose shares the Company holds does not hold the Company's shares, a subsidiary/subsidiaries of the company hold(s) the Company's shares.

Not applicable as for deemed shareholdings.

(ii) Investment shares held for a pure investment purpose

None

II Information on the Company, which is the company whose carrying amount of investment shares (recorded amount of investment shares) is the next largest after the largest holding company among the Company and its consolidated subsidiaries, is as follows.

(i) Investment shares held for any purpose other than a pure investment purpose

(a) Holding policy and method of verifying the reasonableness of shareholding, and details of verification of appropriateness of holding of individual issues in the Board of Directors, etc.

In principle, the Company does not hold cross-shareholdings except where there is an accepted rational for doing so, such as maintaining or strengthening business alliances or business relationships, in order to maintain and strengthen business competitiveness. Stocks held are reviewed annually and shares with less rationale for or less effectiveness of holding are to be sold in view of the circumstances of the investee companies.

The Company's Board of Directors assesses the following matters regarding the rationale for and effectiveness of holding listed cross-shareholdings and makes comprehensive decisions regarding the appropriateness of holding said shares.
Qualitative matters: (a) Background of acquisition, (b) Presence or absence of business relationship, (c) Strategic significance at the time of holding, (d) Possibility of future business, (e) Risks related to survival or stability, etc. of business if shares are not held, and (f) Continuity of advantages, future outlook for business, and risks if shares continue to be held
Quantitative matters: (a) The most recent amounts of transactions and profits if any business is conducted through business alliances, etc., (b) Annual dividends received and gain or loss on valuation of shares, and (c) Whether the benefits and risks from each holding cover the Company's cost of capital

(b) Number of stocks and the amount recorded on the balance sheet

	Number of stocks (Stocks)	Total amount recorded on the balance sheet (Millions of yen)
Unlisted shares	6	6,317
Shares other than unlisted shares	6	25,392

(Stocks whose number of shares increased in the fiscal year ended February 28, 2023)

	Number of stocks (Stocks)	Total acquisition costs associated with increase in number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	2	256	Reinforcement of business collaboration through promotion of recycling of waste plastics, etc.
Shares other than unlisted shares	–	–	–

(Stocks whose number of shares decreased in the fiscal year ended February 28, 2023)

	Number of stocks (Stocks)	Total sale value associated with decrease in number of shares (Millions of yen)
Unlisted shares	–	–
Shares other than unlisted shares	–	–

(c) Information on the number of shares, carrying amount, etc. of specified investment shares and deemed shareholdings by issue

Specified investment shares

Stock	Fiscal year ended February 28, 2023	Fiscal year ended February 28, 2022	Purpose of shareholding, quantitative effectiveness of shareholding and reason for increase in number of shares (Note 1)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
AIN HOLDINGS INC.	2,750,000	2,750,000	Reinforcement of business collaboration in promotion of joint merchandise development, etc.	No
	15,565	17,600		
Credit Saison Co., Ltd.	2,050,000	2,050,000	Reinforcement of business collaboration through the Group financial business companies, etc.	Yes
	3,804	2,654		
Mitsui Fudosan Co., Ltd.	1,017,000	1,017,000	Reinforcement of business collaboration in transactions, etc., related to stores, logistics facilities, and other real estate for the Group operating companies	Yes
	2,639	2,600		
SEIBU HOLDINGS INC.	1,088,000	1,088,000	Reinforcement of business collaboration in joint development of stores, areas, etc., of the Group operating companies	No (Note 2)
	1,491	1,304		
TBS HOLDINGS, INC.	804,000	804,000	Reinforcement of business collaboration in sales promotion, etc. leveraging media content	No (Note 2)
	1,438	1,495		
Dai-ichi Life Holdings, Inc.	156,100	156,100	Reinforcement of business collaboration in life insurance and other financial transactions, etc., with the Group companies	No (Note 2)
	453	375		

Notes: 1. Although the quantitative effects of shareholding are not indicated in view of confidentiality of contracts and agreements pertaining to individual transactions, the Company's Board of Directors assesses the following matters regarding the rationale for and effectiveness of holding listed cross-shareholdings and makes comprehensive decisions regarding the appropriateness of holding said shares.
Qualitative matters: (a) Background of acquisition, (b) Presence or absence of business relationship, (c) Strategic significance at the time of holding, (d) Possibility of future business, (e) Risks related to survival or stability, etc. of business if shares are not held, and (f) Continuity of advantages, future outlook for business, and risks if shares continue to be held
Quantitative matters: (a) The most recent amounts of transactions and profits if any business is conducted through business alliances, etc., (b) Annual dividends received and gain or loss on valuation of shares, and (c) Whether the benefits and risks from each holding cover the Company's cost of capital

2. Although the company whose shares the Company holds does not hold the Company's shares, a subsidiary/subsidiaries of the company hold(s) the Company's shares.

Not applicable as for deemed shareholdings.

(ii) Investment shares held for a pure investment purpose

None

V. [Financial Information]

1. Preparation of the consolidated financial statements and nonconsolidated financial statements

    (1) The consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements").

    (2) The nonconsolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements").

    The Company is a company filing nonconsolidated financial statements prepared in accordance with special provisions and prepares non-consolidated financial statements pursuant to Article 127 of the Regulation on Financial Statements.

2. Note on independent audit

    The consolidated financial statements and the nonconsolidated financial statements for the fiscal year from March 1, 2022 to February 28, 2023 were audited by KPMG AZSA LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.

    The Company takes remarkable efforts to ensure fair presentation of consolidated financial statements, etc. To be specific, the Company has joined the Financial Accounting Standards Foundation and attends training seminars held by auditing firms and various organizations in order to properly understand details of accounting standards and other rules and establish a system that enables appropriate response to changes.

1. [Consolidated financial statements and other information]

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
ASSETS		
Current assets		
Cash and bank deposits	1,420,653	1,670,872
Call loans	–	23,000
Notes and accounts receivable-trade	365,746	–
Notes, accounts receivable-trade and contract assets	–	*1 422,635
Trade accounts receivable-financial services	91,662	93,490
Merchandise and finished goods	246,571	280,044
Work in process	51	119
Raw materials and supplies	2,193	2,216
Prepaid expenses	71,249	78,588
ATM-related temporary payments	107,883	102,755
Other	306,593	397,288
Allowance for doubtful accounts	(7,829)	(10,356)
Total current assets	2,604,774	3,060,653
Non-current assets		
Property and equipment		
Buildings and structures	3,011,407	3,315,510
Accumulated depreciation	(1,483,509)	(1,700,680)
Buildings and structures, net	*3 1,527,898	*3 1,614,830
Furniture, fixtures and equipment	1,158,818	1,337,026
Accumulated depreciation	(722,440)	(873,507)
Furniture, fixtures and equipment, net	436,377	463,518
Vehicles	31,042	32,781
Accumulated depreciation	(11,535)	(14,140)
Vehicles, net	19,506	18,640
Land	*3 1,119,796	*3 1,196,007
Lease assets	26,264	27,256
Accumulated depreciation	(19,024)	(20,991)
Lease assets, net	7,240	6,264
Right-of-use assets	23,537	1,007,322
Accumulated depreciation	(12,735)	(121,677)
Right-of-use assets, net	10,801	885,645
Construction in progress	110,725	156,842
Total property and equipment	3,232,347	4,341,750
Intangible assets		
Goodwill	1,741,604	1,913,017
Software	213,462	265,638
Other	184,935	186,016
Total intangible assets	2,140,002	2,364,673

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Investments and other assets		
Investments in securities	*2, *3, *6 220,615	*2, *3, *6 243,215
Long-term loans receivable	14,633	14,903
Long-term leasehold deposits	*3 330,285	*3 321,945
Advances for store construction	542	770
Net defined benefit asset	86,217	87,088
Deferred income taxes	43,539	57,186
Other	67,499	60,627
Allowance for doubtful accounts	(3,024)	(2,965)
Total investments and other assets	760,308	782,772
Total non-current assets	6,132,658	7,489,195
Deferred assets		
Business commencement expenses	1,353	773
Bond issuance costs	492	332
Total deferred assets	1,846	1,106
TOTAL ASSETS	8,739,279	10,550,956

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	305,921	352,369
Accounts payable, franchised stores	177,987	183,803
Short-term loans	140,146	143,568
Current portion of bonds	60,000	355,823
Current portion of long-term loans	*3 121,280	*3 145,605
Income taxes payable	22,716	25,549
Accrued expenses	235,274	276,771
Contract liabilities	–	211,356
Deposits received	223,146	165,501
ATM-related temporary advances	73,901	61,772
Lease obligations	20,409	121,472
Allowance for sales promotion expenses	17,649	1,104
Allowance for bonuses to employees	13,937	14,389
Allowance for bonuses to Directors and Audit & Supervisory Board Members	349	483
Allowance for loss on future collection of gift certificates	602	–
Provision for sales returns	34	–
Deposits received in banking business	787,879	810,139
Call money	–	110,000
Other	279,489	285,377
Total current liabilities	2,480,725	3,265,089
Non-current liabilities		
Bonds	1,582,906	1,394,728
Long-term loans	*3 994,399	*3 936,070
Deferred income taxes	109,825	184,242
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	569	526
Allowance for stock payments	4,272	4,555
Net defined benefit liability	12,702	13,584
Deposits received from tenants and franchised stores	51,422	50,322
Lease obligations	36,527	834,913
Asset retirement obligations	130,456	155,137
Other	187,738	63,623
Total non-current liabilities	3,110,820	3,637,704
TOTAL LIABILITIES	5,591,546	6,902,794

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus	408,645	408,926
Retained earnings	2,319,155	2,532,491
Treasury stock, at cost	(10,282)	(9,873)
Total shareholders' equity	2,767,517	2,981,545
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities, net of taxes	37,696	34,823
Unrealized gains (losses) on hedging derivatives, net of taxes	4,270	4,799
Foreign currency translation adjustments	157,570	444,478
Remeasurements of defined benefit plans	13,901	8,899
Total accumulated other comprehensive income	213,438	493,001
Subscription rights to shares	56	49
Non-controlling interests	166,719	173,565
TOTAL NET ASSETS	3,147,732	3,648,161
TOTAL LIABILITIES AND NET ASSETS	8,739,279	10,550,956

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Revenues from operations	8,749,752	*1 11,811,303
Net sales	7,429,576	10,265,151
Cost of sales	6,017,372	8,503,617
Gross profit on sales	1,412,203	1,761,534
Operating revenues	*2 1,320,175	*2 1,546,151
Gross profit from operations	2,732,379	3,307,685
Selling, general and administrative expenses		
Advertising and decoration expenses	123,214	97,091
Salaries and wages	564,770	696,197
Provision for bonuses to employees	13,861	14,314
Pension expenses	14,045	13,812
Legal welfare expenses	75,217	81,495
Land and building rent	396,241	441,127
Depreciation and amortization	279,082	363,564
Utility expenses	121,954	185,724
Store maintenance and repair expenses	92,481	162,768
Other	663,854	745,068
Total selling, general and administrative expenses	2,344,726	*4, *8 2,801,164
Operating income	387,653	506,521
Non-operating income		
Interest income	3,220	6,050
Dividend income	1,093	1,267
Equity in earnings of affiliates	2,643	2,506
Gain on valuation of investments securities	274	1,920
Income from electronic money breakage	1,205	772
Insurance income	1,389	174
Other	2,909	3,136
Total non-operating income	12,736	15,827
Non-operating expenses		
Interest expenses	12,101	15,673
Interest on bonds	17,248	20,711
Commitment fee	3,534	618
Other	8,934	9,457
Total non-operating expenses	41,818	46,460
Ordinary income	358,571	475,887

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Special gains		
Gain on sales of property and equipment	*3 6,372	*3 9,116
Gain on sales of property and equipment related to restructuring	*3, *7 2,554	–
Gain on sales of investments in securities	3,222	272
Subsidy income	*4 7,648	–
Other	2,213	4,120
Total special gains	22,011	13,510
Special losses		
Loss on disposals of property and equipment	*5 13,666	*5 14,038
Impairment loss	*6 26,410	*6 43,420
Restructuring expenses	*5, *6, *7 4,163	*5, *6, *7 10,298
Loss related to COVID-19	*8 10,380	–
Other	14,107	18,878
Total special losses	68,728	86,636
Income before income taxes	311,854	402,761
Income taxes - current	66,886	71,881
Income taxes - deferred	21,727	38,710
Total income taxes	88,613	110,591
Net income	223,241	292,169
Net income attributable to non-controlling interests	12,466	11,193
Net income attributable to owners of parent	210,774	280,976

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Net income	223,241	292,169
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities, net of taxes	2,073	(2,962)
Unrealized gains (losses) on hedging derivatives, net of taxes	2,689	532
Foreign currency translation adjustments	189,239	288,056
Remeasurements of defined benefit plan, net of taxes	(1,515)	(5,113)
Share of other comprehensive income (loss) of entities accounted for using equity method, net of taxes	156	203
Total other comprehensive income (loss)	* 192,642	* 280,717
Comprehensive income (loss)	415,883	572,887
Comprehensive income (loss) attributable to owners of parent	402,228	560,539
Comprehensive income (loss) attributable to non-controlling interests	13,655	12,347

(iii) Consolidated Statements of Changes in Net Assets

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2021	50,000	409,069	2,198,805	(10,851)	2,647,023
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries			(2,847)		(2,847)
Restated balance	50,000	409,069	2,195,957	(10,851)	2,644,175
Increase (decrease) for the year					
Cash dividends			(87,576)		(87,576)
Net income attributable to owners of parent			210,774		210,774
Purchase of treasury stock				(22)	(22)
Disposal of treasury stock		0		591	592
Other		(424)		(0)	(425)
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	–	(424)	123,197	568	123,342
Balance at February 28, 2022	50,000	408,645	2,319,155	(10,282)	2,767,517

	Accumulated other comprehensive income							
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	TOTAL NET ASSETS
Balance at March 1, 2021	35,729	1,580	(30,835)	15,427	21,902	56	162,352	2,831,335
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries	82				82			(2,765)
Restated balance	35,811	1,580	(30,835)	15,427	21,984	56	162,352	2,828,569
Increase (decrease) for the year								
Cash dividends								(87,576)
Net income attributable to owners of parent								210,774
Purchase of treasury stock								(22)
Disposal of treasury stock								592
Other								(425)
Net changes of items other than shareholders' equity	1,884	2,689	188,405	(1,525)	191,454	–	4,366	195,820
Net increase (decrease) for the year	1,884	2,689	188,405	(1,525)	191,454	–	4,366	319,163
Balance at February 28, 2022	37,696	4,270	157,570	13,901	213,438	56	166,719	3,147,732

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2022	50,000	408,645	2,319,155	(10,282)	2,767,517
Cumulative effects of changes in accounting policies			22,815		22,815
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries			(902)		(902)
Restated balance	50,000	408,645	2,341,068	(10,282)	2,789,430
Increase (decrease) for the year					
Cash dividends			(89,787)		(89,787)
Net income attributable to owners of parent			280,976		280,976
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock		0		425	425
Other		281	234	(0)	515
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	–	281	191,423	409	192,114
Balance at February 28, 2023	50,000	408,926	2,532,491	(9,873)	2,981,545

	Accumulated other comprehensive income							
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	TOTAL NET ASSETS
Balance at March 1, 2022	37,696	4,270	157,570	13,901	213,438	56	166,719	3,147,732
Cumulative effects of changes in accounting policies								22,815
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries								(902)
Restated balance	37,696	4,270	157,570	13,901	213,438	56	166,719	3,169,645
Increase (decrease) for the year								
Cash dividends								(89,787)
Net income attributable to owners of parent								280,976
Purchase of treasury stock								(16)
Disposal of treasury stock								425
Other								515
Net changes of items other than shareholders' equity	(2,872)	529	286,908	(5,002)	279,563	(7)	6,846	286,401
Net increase (decrease) for the year	(2,872)	529	286,908	(5,002)	279,563	(7)	6,846	478,516
Balance at February 28, 2023	34,823	4,799	444,478	8,899	493,001	49	173,565	3,648,161

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Cash flows from operating activities		
Income before income taxes	311,854	402,761
Depreciation and amortization	292,561	376,097
Impairment loss	27,775	48,950
Amortization of goodwill	71,276	112,700
Increase (decrease) in allowance for bonuses to employees	(956)	515
Increase in net defined benefit asset	(8,514)	(8,993)
Interest and dividends income	(4,313)	(7,317)
Interest expenses and interest on bonds	29,349	36,384
Equity in losses (earnings) of affiliates	(2,643)	(2,506)
Insurance income	(1,389)	(174)
Gain on sales of property and equipment	(8,927)	(9,116)
Subsidy income	(7,648)	–
Loss on disposals of property and equipment	13,667	14,110
Loss (gain) on sale of investment securities	(3,211)	(272)
Decrease (increase) in notes and accounts receivable, trade	(9,227)	(44,022)
Decrease (increase) in trade accounts receivable, financial services	3,348	(1,824)
Decrease (increase) in inventories	(26,209)	(12,111)
Increase (decrease) in notes and accounts payable, trade	3,015	25,183
Increase (decrease) in deposits received	(13,396)	(57,643)
Net increase (decrease) in deposits received in banking business	46,456	22,260
Net decrease (increase) in call loan in banking business	–	(23,000)
Net increase (decrease) in call money in banking business	–	110,000
Net decrease (increase) in ATM-related temporary accounts	52,386	(6,997)
Other	12,713	62,193
Subtotal	777,967	1,037,177
Interest and dividends received	4,505	5,967
Interest paid	(20,781)	(35,807)
Proceeds from settlement of interest rate swaps	5,993	–
Insurance income received	1,389	174
Proceeds from subsidy income	7,647	0
Income taxes paid	(67,411)	(96,856)
Income taxes refund	27,165	17,820
Net cash provided by operating activities	736,476	928,476

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Cash flows from investing activities		
Acquisition of property and equipment	*4 (337,505)	*4 (305,217)
Proceeds from sales of property and equipment	147,745	20,221
Acquisition of intangible assets	(86,926)	(105,672)
Payment for purchase of investments in securities	(25,519)	(50,305)
Proceeds from sales of investments in securities	106,380	30,317
Payment for purchase of shares in subsidiaries resulting in change in scope of consolidation	*2 (2,295,563)	(459)
Selling of shares of subsidiaries resulting in change in scope of consolidation	–	938
Payment for long-term leasehold deposits	(12,357)	(13,125)
Refund of long-term leasehold deposits	24,536	20,588
Proceeds from deposits from tenants	4,002	2,577
Refund of deposits from tenants	(2,841)	(2,535)
Payment for acquisition of business	*4 (11,661)	*4 (224)
Payment for time deposits	(3,996)	(2,594)
Proceeds from withdrawal of time deposits	4,083	2,176
Other	(15,943)	(9,914)
Net cash used in investing activities	(2,505,566)	(413,229)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(479,923)	3,718
Proceeds from long-term debts	832,298	163,652
Repayment of long-term debts	(261,954)	(262,650)
Proceeds from commercial paper	81,872	–
Payment for redemption of commercial paper	(81,872)	–
Proceeds from issuance of bonds	1,192,710	–
Payment for redemption of bonds	(231,768)	(60,000)
Proceeds from share issuance to non-controlling shareholders	337	2,368
Purchase of treasury stock	(22)	(16)
Dividends paid	(87,490)	(89,762)
Dividends paid to non-controlling interests	(7,348)	(7,803)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,821)	(975)
Other	(17,941)	(18,904)
Net cash used in financing activities	937,077	(270,373)
Effect of exchange rate changes on cash and cash equivalents	63,065	15,023
Net increase (decrease) in cash and cash equivalents	(768,946)	259,897
Cash and cash equivalents at the beginning of the year	2,183,837	1,414,890
Cash and cash equivalents at the end of the year	*1 1,414,890	*1 1,674,787

Notes to Consolidated Financial Statements

Accounting Policies for the Preparation of Consolidated Financial Statements

1. Scope of consolidation

   Number of consolidated subsidiaries: 165

   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., and Seven Financial Service Co., Ltd.

   Consolidated subsidiaries increased by 3

   (Establishment)

   Two companies

   (Acquisition of shares)

   One company

   Consolidated subsidiaries decreased by 11

   Life Foods Co., Ltd. ceased to exist as a result of its merger with York-Benimaru Co., Ltd., Oshman's Japan Co., Ltd. was excluded from the scope of consolidation due to the transfer of shares.

   (Dissolution)

   Two other companies

   (Liquidation)

   Seven companies

2. Application of the equity method

   (1) Number of unconsolidated subsidiaries to which the equity method was applied: None

   (2) Number of affiliates to which the equity method was applied: 24

   Major affiliates:

   Tenmaya Store Co., Ltd., DAIICHI CO., LTD. and PIA Corporation

   (3) 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 has a deficit net worth, the Company's share of such loss is reduced from its loan receivable from affiliate.

3. Accounting period of consolidated subsidiaries

   The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the consolidated financial statements. All material transactions during the period from the closing date to the end of February are adjusted for the consolidation purpose.

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

4. Summary of significant accounting policies

(1) Valuation method for major assets

(i) Valuation method for securities

a. Held-to-maturity debt securities are carried at amortized cost.

b. Other available-for-sale securities are classified into two categories, where: (A) Securities other than shares that do not have a market value and (B) Shares that do not have a market value.

(A) Securities other than shares that do not have a market value are valued at fair value. 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 securities sold is determined using the moving-average method.

(B) Shares that do not have a market value are mainly valued at cost, determined using the moving-average method.

(ii) Valuation method for derivatives

Derivative financial instruments are valued at fair value.

(iii) Valuation method for inventories

a. Merchandise:

Inventories of domestic consolidated subsidiaries are stated mainly at cost determined by the retail method with book value written down to the net realizable value.

Cost is determined principally by the first-in, first-out (FIFO) method (except for gasoline inventory that is determined by the weighted average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method.

b. 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

(i) Property and equipment (excluding Lease assets)

Property and equipment are depreciated using the straight-line method.

(ii) Intangible assets (excluding Lease assets)

Intangible assets are amortized using the straight-line method. Internal use software is amortized using the straight-line method over an estimated useful life, generally 5 years.

(iii) Lease assets

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

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

(iv) Right-of-use assets

Some foreign consolidated subsidiaries have adopted IFRS 16 Leases and application of Accounting Standards Update (“ASU”) 2016-02, Leases (Topic842). Therefore, lessees are in principle required to recognize all leases as assets and liabilities on their balance sheets. Right-of-use assets recorded in assets as result of the application of IFRS 16 Leases are depreciated using the straight-line method.

Moreover, as a result of the application of ASU 2016-02, Leases (Topic842), the amount equivalent to depreciation of right-of-use assets for operating lease is recorded not as “Depreciation and amortization” but as “Land and building rent”, because it is not depreciable assets.

(3) Accounting for deferred assets

(i) Business commencement expenses

Business commencement expenses are amortized using the straight-line method over 5 years.

(ii) Bond issuance cost

Bond issuance cost are amortized using the straight-line method over the redemption period.

(4) Allowances

(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.

(ii) Allowance for sales promotion expenses

Points granted to customers under the loyalty program, which is designed to promote sales, are divided into two types: points granted based on the amount of purchases and points granted based on events other than purchases.

Of these, allowance for sales promotion expenses is provided for the use of points granted to customers for events other than purchases at the amount expected to be used in the future as at the balance sheet date.

(iii) Allowance for bonuses to employees

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

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

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

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

Previously, allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries was provided for future collection of gift certificates for income to be recognized after certain periods. The amount was calculated using the historical results of collection. However, the allowance is no longer recognized from the current fiscal year due to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations.

(vi) Provision for sales returns

Previously, provision for sales returns was provided at the amount estimated for future losses due to sales returns as at the balance sheet date. The amount was calculated using the historical results of sales returns. However, the allowance is no longer recognized from the current fiscal year due to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations.

(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 in accordance with internal rules.

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

(viii) Allowance for stock payments

Allowance for stock payments is provided to prepare for payments of stock benefits to directors and executive officers of the Company and its consolidated. The amount is based on the expected stock benefit payable as at the balance sheet date.

(5) Accounting method for retirement benefits

(i) Allocation method of estimated total retirement benefits

When calculating retirement benefit obligation, the benefit formula basis is used to allocate estimated total retirement benefits to the period up to the fiscal year-end.

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

The amount of actuarial differences is amortized on a straight-line basis over a period of 10 years from the year following the year in which they arise, which is within the average remaining years of service of the eligible employees.

The amount of prior service costs is amortized on a straight-line basis over a period of 5 years or 10 years, which are within the average remaining years of service of the eligible employees.

(6) Revenue recognition

The Group recognizes revenue based on the following five-step approach.

Step 1: Identifying the contract

Step 2: Identifying the performance obligations

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to the performance obligations

Step 5: Recognizing revenue as the performance obligation is satisfied

(i) Revenue recognition criteria for each operating segment

a. Domestic convenience store operations

Domestic convenience store operations operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under SEVEN-ELEVEN JAPAN CO., LTD.

The Group sells processed foods, fast foods, daily delivered foods, and non-food merchandise to customers visiting the directly managed corporate stores. For these merchandise sales, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation of the merchandise is satisfied at that time of the delivery.

The Group assumes contractual obligations to franchised convenience stores, such as licensing of the use of the business expertise and trademarks, lending of equipment, purchase cooperation, advertising, management consulting, credit support for merchandise purchases, preparation for business commencement, as well as provision of services including training and accounting/bookkeeping services. These activities are determined to be a single performance obligation since they are closely connected with each other and cannot be separately performed as distinct services. This performance obligation is satisfied over time or as the service is provided. In addition, revenue is recognized over the contract period as gross profit on sales is generated, since the transaction prices are loyalties based on the gross profit on sales of the stores.

Sales promotion expenses and other consideration paid to customers are deducted from the transaction prices.

b. Overseas convenience store operations

Overseas convenience store operations operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under 7-Eleven, Inc.

The Group sells processed foods, fast foods, daily delivered foods, and non-food merchandise to customers visiting the directly managed corporate stores. For these merchandise sales, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation of the merchandise is satisfied at the time of delivery.

The Group sells gasoline to customers visiting the stores and dealers. For these merchandise sales, revenue is recognized at the time of delivery of the merchandise to the customer by determining that the performance obligation of the merchandise is satisfied at that time of the delivery.

The Group assumes contractual obligations to franchised convenience stores, such as licensing of the use of the trademarks, provision of training, preparation for business commencement, advertising, management instructions, and permitting the use of the land, buildings and equipment. These activities are determined to be a single performance obligation since they are closely connected with each other and cannot be separately performed as distinct services. This performance obligation is satisfied over time or as the service is provided. In addition, revenue is recognized over the contract period as gross profit on sales is generated, since the transaction prices are loyalties based on the gross profit on sales of the stores.

The revenue is measured at the amount of the consideration promised under the contract with the customer less discounts or others

Subsidiaries in North America that adopt US GAAP have applied ASU No. 2014-09 “Revenue from Contracts with Customers (Topic606)”.

c. Superstore operations

Superstore operations of the Group, whose main components are Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., and York. Co., Ltd., comprise general merchandise store (GMS) operations and food supermarket operations, and operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. Superstore operations operate merchandise sales at the Company or provision of services to tenants. As for merchandise sales at the Company, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied at the time of the delivery of the merchandise. As for the provision of services to tenants, revenue is recognized as the service is provided by determining that the performance obligation is satisfied over the contract period.

As for merchandise sales at the Company, revenue is measured at the amount of the consideration promised under the contract with the customer less discounts or others. The provision of services to tenants includes some transactions where mainly the transaction price is a variable consideration based on net sales to the tenant.

d. Department and specialty store operations

Department store operations of the Company, whose main components are Sogo & Seibu Co., Ltd., operate a retail business that provides a various and wide assortment of high-quality merchandise. As for merchandise sales at the Company, it engages in sales of apparel, apparel accessories, household goods, foods, and other merchandise. For this kind of merchandise sales, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied mainly at the time of the delivery of the merchandise.

As for the provision of services to tenants is a transaction in which sales floor space, facilities, etc. are continuously provided to tenants, revenue is recognized as the service is provided by determining that the performance obligation is satisfied over the contract period.

Specialty store operations operate a retail business that provides advanced and unique merchandise and services. As for merchandise sales at the stores, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied mainly at the time of the delivery of the merchandise. For mail order sales, revenue is recognized mainly at the time when the merchandise is shipped out.

As for merchandise sales at the Company, revenue is measured at the amount of the consideration promised under the contract with the customer less discounts or others. The provision of services to tenants includes some transactions where mainly the transaction price is a variable consideration based on net sales to the tenant.

e. Financial services

Financial services operate a banking business, credit card business, electronic money business, and leasing business. Commission fee income received for the provision of various services are recognized as revenue at the point when each transaction occurs.

(ii) Granting options for customers to obtain additional goods or services

Based on the loyalty program, which is designed to promote sales, the Group grants points in accordance with the amount of purchase by members and provide goods or services equivalent to the points used. The Group identifies the points granted as performance obligations, and the transaction price is allocated based on the stand-alone selling price calculated considering the estimated future forfeitures, etc.

(iii) Determination of a principal or an agent

If the Group has control of the merchandise or service before it is transferred to a customer, the transaction is deemed to be a transaction by a principal, and the revenue is recognized at the total amount. If the Group does not have such control or if the Group’s performance obligation is to arrange the provision of the merchandise or service, the transaction is deemed to be a transaction by an agent, and the revenue is recognized on the net amount (an amount equivalent to the commission fee).

In our group, revenue related to commission fees for the sales on wholesaler owned goods and merchandise sales by tenants is recognized on the net amount by subtracting payments to suppliers from the total amount.

(7) Foreign currency translation

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

All balance sheets accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. 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 “Non-controlling interests” and “Foreign currency translation adjustments.”

(8) Hedge accounting

(i) Hedge accounting

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

The forward foreign exchange contracts are accounted for by the designated accounting treatment when they meet certain treatment for that. Certain interest rate swap contracts that meet specific accounting treatment are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest income or expense as incurred. The Company applies integral accounting treatment (specific accounting treatment, designated accounting treatment) to interest rate and currency swap contracts that meet the requirements of integral accounting treatment.

(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 swap

Hedged items – Loans

c. Hedge instruments – Interest rate and currency swap

Hedged items – Foreign currency-denominated loans

(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 rates and interest rates and reducing financing costs as well as optimizing future cash flow. The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes.

(iv) Assessing hedge effectiveness

The hedge effectiveness is assessed by comparing the fluctuation quarterly except for those that meet specific accounting treatment and integral accounting treatment.

(9) Goodwill and negative goodwill

Goodwill and negative goodwill which generated before March 1, 2011 are amortized mainly over a period of 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.

(10) Cash and cash equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(11) Other accounting treatments

(i) Accounting for franchised stores in Domestic and Overseas convenience store operations

SEVEN-ELEVEN JAPAN CO., LTD. and 7-Eleven, Inc. recognize franchise commission from its franchised stores as revenues and include it in “Operating revenues.”

(ii) Accounting for consumption taxes and excise tax

The excise tax levied in the U.S. and Canada is included in the revenues from operations.

(iii) Application of Consolidated Taxation System

The Company and part of its wholly owned domestic subsidiaries have applied Consolidated Taxation System.

(iv) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and part of its wholly owned domestic subsidiaries will transition from the Consolidated Taxation System to the Group Tax Sharing System from the following consolidated fiscal year.

However, with respect to items subject to the review of the Non-Consolidated Taxation System conducted to correspond with the transition from the Consolidated Taxation System to the Group Tax Sharing System, which was established under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued on February 16, 2018) in accordance with the treatment set out in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39 issued on March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

From the beginning of the following consolidated fiscal year, the Company plans to apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42 issued on August 12, 2021), which prescribes treatment for accounting and disclosure for income tax, local income tax, and tax effect accounting in cases where the Group Tax Sharing System is applied.

Significant Accounting Estimates

Fiscal year ended February 28, 2022

Accounting estimates are based on reasonable amounts based on information available at the time of preparation of the consolidated financial statements. Accounting estimates in the items recorded in the consolidated financial statements for the fiscal year ended February 28, 2022 whose amounts are based on accounting estimates and that have the risk of significantly impacting the consolidated financial statements for the following fiscal year are as follows:

1. Assessment of intangible assets (trademark rights) associated with acquisition of shares, etc. in Speedway LLC and period of amortization of goodwill

(1) Carrying amounts of major assets and liabilities in the fiscal year ended February 28, 2022

Since the allocation of acquisition cost has not been finalized as stated in "Business Combinations, etc." under "Notes to Consolidated Financial Statements," the following amounts which were provisionally calculated were recorded in the consolidated balance sheet.

Goodwill	1,357,134 million yen
Intangible assets (trademark rights)	22,126 million yen

As stated in "Business Combinations, etc." under "Notes to Consolidated Financial Statements," the period of amortization of the goodwill is estimated to be 20 years.

(2) Information on the content of significant accounting estimates for identified items

(i) Method of calculation

Acquisition cost of a company or business acquired through a business combination is allocated within one year from the business combination date based on fair value of identifiable items of assets received and liabilities assumed as of the business combination date, and difference between the acquisition cost and the net amount allocated to the assets received and liabilities assumed is accounted for as goodwill.

In the allocation of acquisition cost related to the acquisition of shares, etc. in Speedway LLC, intangible assets (trademark rights) among identifiable assets were calculated by the income approach method using significant assumptions such as the business plan developed by the management and royalty rate. In addition, the period of amortization of the goodwill was determined based on the period during which synergies due to the acquisition of shares, etc. in Speedway LLC will occur on the basis of the business plan and outlook for the market environment.

(ii) Major assumptions

The business plan developed by the management, royalty rate, etc. are considered to be major assumptions for calculation of fair value of intangible assets (trademark rights). Furthermore, the period during which synergies due to the acquisition of shares, etc. in Speedway LLC will occur is considered to be major assumptions for estimation of the period of amortization of the goodwill.

(iii) Impact on the consolidated financial statements for the next fiscal year

While the calculation of fair value and estimation of the amortization period were made based on the management's best estimates, they may be affected by future changes in uncertain economic conditions, and if review of the assumptions becomes required, this may have significant impact on the consolidated financial statements for the next fiscal year.

2. Judgment of necessity of recognizing impairment losses on non-current assets

(1) Amount recorded on the consolidated financial statements for the fiscal year ended February 28, 2022

The Group has retail stores in a variety of forms such as department stores, GMSs and food supermarkets. Of them, Ito-Yokado Co., Ltd., which is included in the Superstore operations segment, runs superstore operations, and Sogo & Seibu Co., Ltd., which is included in the Department and specialty store operations segment, conducts department store operations. In the nature of their operations, the book value of non-current assets per store tends to be relatively large.

Amounts recorded in the consolidated balance sheets and consolidated statements of income for the fiscal year ended February 28, 2022 of Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. are as follows.

(Millions of yen)

Company name	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	328,554	12,682	4,431
Sogo & Seibu Co., Ltd.	202,598	71,812	1,242

(2) Information on the content of significant accounting estimates for identified items

(i) Method of calculation

In Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd., the smallest unit that generates independent cash flows is mainly stores. Although each company has promoted restructuring for some time and continues to work on improvement of business performance through measures for attracting customers, gross income improving measures, and others, there was an indication of impairment in multiple stores in the fiscal year ended February 28, 2022 as a result of large impact of shortening of operating hours and temporary closures aimed to prevent the spread of COVID-19.

If there is considered to be an indication of impairment on non-current assets of stores of each company, necessity of recognizing an impairment loss is judged by comparing the total amount of undiscounted future cash flows obtained from the non-current assets of stores with the book value. If it is determined, as a result of the judgement, that recognition of an impairment loss is needed, the book value is reduced to the recoverable value and the reduced amount is recorded as an impairment loss.

Moreover, in face of the severer environment surrounding the operation of stores due to changes in customers' values and behavior resulting from the spread of COVID-19, Sogo & Seibu Co., Ltd. has incurred consecutive operating losses, and there has been considered to be an indication of impairment in larger units including jointly used assets. Accordingly, as of February 28, 2022, in addition to the judgment of impairment on non-current assets of stores, judgment of necessity of recognizing an impairment loss was made in larger units including jointly used assets. However, since the estimated total amount of undiscounted future cash flows was more than the total book value of the non-current assets including jointly used assets, it was judged that recognition of an impairment loss was unnecessary.

(ii) Major assumptions

Undiscounted future cash flows used in the judgment of necessity of recognizing an impairment loss include significant assumptions such as the sales growing rate, gross margin ratio and expected reduction in expenses. In addition, as for net selling prices, certain stores use the amount of real estate appraisal calculated by real estate appraisers, and this appraisal involves professional judgment.

(iii) Impact on the consolidated financial statements for the next fiscal year

The above estimates and assumptions may be affected by future changes in uncertain economic conditions, and if review of the assumptions becomes required, this may have significant impact on the consolidated financial statements for the next fiscal year.

In addition, the appraisal amount by real estate appraisers based on the real estate appraisal standards, etc. may be affected by future trends of the real estate market conditions, and if net selling prices consequently decrease, this may have significant impact on the consolidated financial statements for the next fiscal year.

Fiscal year ended February 28, 2023

Accounting estimates are based on reasonable amounts based on information available at the time of preparation of the consolidated financial statements. Of the accounting estimates in the items recorded in the consolidated financial statements for the fiscal year ended February 28, 2023 whose amounts are based on accounting estimates, the following items have the risk of significantly impacting the consolidated financial statements for the following fiscal year:

Judgment of necessity of recognizing impairment losses on non-current assets

(1) Amount recorded on the consolidated financial statements for the fiscal year ended February 28, 2023

The Group has retail stores in a variety of forms such as department stores, GMSs and food supermarkets. Of them, Ito-Yokado Co., Ltd., which is included in the Superstore operations segment, runs superstore operations, and Sogo & Seibu Co., Ltd., which is included in the Department and specialty store operations segment, conducts department store operations. In the nature of their operations, the book value of non-current assets per store tends to be relatively large.

Amounts recorded in the consolidated balance sheets and consolidated statements of income for the fiscal year ended February 28, 2023 of Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. are as follows.

(Millions of yen)

Company name	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	318,474	22,316	10,559
Sogo & Seibu Co., Ltd.	196,339	71,241	11,047

(2) Information on the content of significant accounting estimates for identified items

(i) Method of calculation

In Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd., the smallest unit that generates independent cash flows is mainly stores. Although Ito-Yokado Co., Ltd. promotes closing unprofitable stores, optimizing the number of personnel, and improving productivity with the use of IT, there seemed to be an indication of impairment loss in multiple stores in the current fiscal year due to the significant impact of changes in external environments including surges in raw materials prices and energy costs. In addition, although Sogo & Seibu Co., Ltd. recorded an operating income in the current fiscal year, there seemed to be an indication of impairment loss in multiple stores due to the significant impact of changes in external environments including surges in purchase prices of merchandise and energy costs. The Company has signed a share transfer agreement with a third party for the transfer of the entire number of outstanding shares of Sogo & Seibu Co., Ltd.

If there is considered to be an indication of impairment on non-current assets of stores of each company, and if necessity of recognizing an impairment loss is judged by comparing the total amount of undiscounted future cash flows obtained from the non-current assets of stores with the book value, the book value is reduced to the recoverable value and the reduction amount is recorded as an impairment loss.

(ii) Major assumptions

Undiscounted future cash flows used in the judgment of necessity of recognizing an impairment loss include significant assumptions such as the sales growing rate, gross margin ratio and expected changes in expenses. In addition, as for net selling prices, certain stores use the amount of real estate appraisal calculated by real estate appraisers, and this appraisal involves professional judgment.

(iii) Impact on the consolidated financial statements for the next fiscal year

The above estimates and assumptions may be affected by future changes in uncertain economic conditions, and if review of the assumptions becomes required, this may have significant impact on the consolidated financial statements for the next fiscal year.

In addition, the appraisal amount by real estate appraisers based on the real estate appraisal standards, etc. may be affected by future trends of the real estate market conditions, and if net selling prices consequently decrease, this may have significant impact on the consolidated financial statements for the next fiscal year.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, etc.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and relevant revised ASBJ regulations are applied from the beginning of the fiscal year ended February 28, 2023, it has recognized revenue at the time the control promised goods or services is transferred to customers at the amount that is expected to be received upon exchange of said goods or services.

The main changes due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

1. Revenue recognition for transactions as an agent
   Previously, revenue related to commission fees for the sales on wholesaler owned goods and merchandise sales by tenants was recognized at the total amount of consideration received from customers. However, after determining the role (principal or agent) in providing goods or services to customers, the Company has changed to the method of recognizing revenue on the net amount by subtracting payments to suppliers from the total amount. These revenues are included in "Operating revenues".

2. Revenue recognition related to the Company's loyalty program
   Based on the loyalty system, which is designed to promote sales, the Company grants points in accordance with the amount of purchase by members and provide goods or services equivalent to the points used. Previously, in order to prepare for the use of points granted, the amount expected to be used in the future was recorded as a "Provision for sales promotion," and the advertising and decoration expenses was recorded as "Selling, general and administrative expenses." However, the Company has changed to the method in which the granted points are identified as performance obligations, and the transaction price is allocated based on the stand-alone selling price calculated considering the estimated future forfeitures, etc., and revenue is deferred as a "Contract liabilities."

   The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended February 28, 2023 was added to or deducted from the opening balance of retained earnings of the consolidated fiscal year ended February 28, 2023, and thus the new accounting policy was applied from such opening balance.

   As a result, "Retained earnings" were reduced by 11,948 million yen at the beginning of the consolidated fiscal year ended February 28, 2023. In addition, for the consolidated fiscal year ended February 28, 2023, "Net sales" decreased by 763,375 million yen, "Cost of sales" decreased by 638,385 million yen, "Operating revenues" increased by 78,673 million yen, "Selling, general and administrative expenses" decreased by 47,220 million yen, and "Operating income," "Ordinary income," and "Income before income taxes" increased by 904 million yen, respectively.
   The impact on per-share information is described in the relevant section.

   Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable-trade," which was presented in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year, is included in "Notes and accounts receivable-trade and contract assets" from the fiscal year ended February 28, 2023, and "Deposits received," "Allowance for sales promotion expenses," "Allowance for loss on future collection of gift certificates" and a portion of "Other," which was presented in "Current liabilities," are included in "Contract liabilities" from the fiscal year ended February 28, 2023. For "Provision for sales returns," which was presented in "Current liabilities," refund liabilities are included in "Other" under "Current liabilities," and returned assets are included in "Other" under "Current assets."
   In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated in based on the new approach to presentation. In accordance with the transitional treatment

stipulated in the Article 89-3 of Accounting Standard for Revenue Recognition, we have not stated in Notes to “Revenue Recognition” in the fiscal year ended February 28, 2022.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended February 28, 2023, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements of the fiscal year ended February 28, 2023.

Application of ASU2016-02, Leases (Topic842)

The Company's overseas subsidiaries that adopted U.S. GAAP have applied ASU2016-02, Leases (Topic842) effective from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. Lessees are in principle required to recognize all leases as assets and liabilities on their balance sheets. In applying this accounting standard, the accepted method for the transitional treatment which the cumulative effect of a change in accounting policy is recognized at the date of application have been adopted.

As a result of the application of this accounting standard, mainly “Right-of-use assets” increased by 855,613 million yen, “Lease obligations” increased by 877,234 million yen in the consolidated balance sheets in the fiscal year ended February 28, 2023, and “Retained earnings” at the beginning of the consolidated fiscal year ending February 28, 2023 increased by 34,764 million yen, respectively.

Accounting Standards Issued But Not Yet Applied

Accounting Standard for Fair Value Measurement

・ “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)

(1) Overview
The June 17, 2021 revision of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, Accounting Standards Board of Japan) was made and issued approximately one years after it was issued on July 4, 2019. At the time of the issuance on July 4, 2019, it was expected that approximately one year of consideration following the issuance of the “Accounting Standard for Fair Value Measurement” was necessary as a certain period of time for consultation with interested parties as well as a certain amount of examination of the notes to fair value of “investments in partnerships, etc. recorded at the net amount equivalent to equity ownership in balance sheets.”

(2) Scheduled date of application
This accounting standard will be applied effective from the beginning of the fiscal year ending February 29, 2024.

(3) Effects of application of the accounting standard, etc.
The effects of applying the “Implementation Guidance on Accounting Standard for Fair Value Measurement” on the consolidated financial statements are currently undetermined.

Group tax sharing system

・ “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued August 12, 2021, Accounting Standards Board of Japan)

(1) Overview
Due to the enactment of the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8, 2020) on March 27, 2020, the consolidated taxation system was reviewed and companies transitioned from the consolidated taxation system to the group tax sharing system. In

accordance with this transition, this practical solution was issued by the Accounting Standards Board of Japan for the purpose of clarifying the accounting treatment and handling of disclosure of corporation tax, local corporation tax and tax effect accounting in the case of applying the group tax sharing system.

(2) Scheduled date of application
This accounting standard will be applied effective from the beginning of the fiscal year ending February 29, 2024.

(3) Effects of application of the accounting standard, etc.
The effects of applying the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" on the consolidated financial statements are currently undetermined.

"Accounting Standard for Current Income Taxes," etc.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview
In February 2018, Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28) (hereinafter referred to as ASBJ Statement No. 28, etc.) was issued, completing the transfer of practical guidelines for tax effect accounting in the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan. During the deliberation process, the following two issues, which were to be studied after the issuance of ASBJ Statement No. 28, were deliberated and issued.

- Accounting section of tax expenses (taxation on other comprehensive income)
- Tax effect of sales of shares of subsidiaries or affiliates when the corporate group tax system is applied

(2) Scheduled date of application
This accounting standard will be applied effective from the beginning of the fiscal year ending February 28, 2026.

(3) Effects of application of the accounting standard, etc.
The effects of applying the "Accounting Standard for Current Income Taxes" on the consolidated financial statements are currently undetermined.

Changes in Method of Presentation

Consolidated Statements of Income

"Gain on valuation of investments in securities," which was previously included in "Other" of Non-operating income in the fiscal year ended February 28, 2022, exceeded 10% of the total amount of Non-operating income, and is separately presented for the fiscal year ended February 28, 2023 due to significant increase.

To reflect this change in method of presentation, the Company reclassified consolidated financial statements for the fiscal year ended February 28, 2022.

As a result, 3,184 million yen that was presented as "Other" in Non-operating income in the fiscal year ended February 28, 2022 has been reclassified as "Gain on valuation of investments in securities" of 274 million yen and "Other" of 2,909 million yen.

Supplementary Information

Transfer of shares of subsidiaries

The Company has resolved to enter into an agreement (the "Agreement") to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to a special purpose company, which is a related entity of Fortress Investment Group LLC, Sugi Godo Kaisha (the "Transferee Company") (the "Transfer") on November 11, 2022. The Transfer should meet the certain conditions for the execution.

If the progress of negotiations toward the execution of the Transfer is expected to satisfy specified conditions, accounting procedures such as provision for losses on the transfer of the business and recognition of deferred tax liabilities on investments in subsidiaries is required. It is also required for the subject subsidiary to examine the judgement on the recoverability of deferred tax assets on the assumption that it will leave the consolidated tax entity.

At the time of preparation for the consolidated financial statements, the Transfer is still under negotiation to satisfy the specified conditions for execution of the transaction, and the above accounting has not been conducted. In the event that specified conditions are satisfied in the following fiscal year and this transfer is executed, the financial statements for the following fiscal year may be materially affected by reflecting the above accounting treatment.

Performance-Based Stock Compensation Plan for Directors

The Company and certain consolidated subsidiaries (hereinafter the "Companies") have introduced a Performance- Based Stock Compensation Plan (hereinafter the "Plan") for the directors of the Companies (excluding nonexecutive Directors and Directors residing overseas, the same applies hereinafter) using the Directors' Compensation BIP (Board Incentive Plan) Trust (hereinafter "BIP Trust"), mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders.

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

(1) Outline of the transaction

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

(2) Company's shares remaining in the BIP Trust

The Company's shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 28, 2023, the carrying amount and the number of Company's shares remaining in the BIP Trust are 2,876 million yen and 753 thousand shares, respectively.

Performance-Based Stock Compensation Plan for Executive Officers

The Company and certain consolidated subsidiaries (hereinafter the "Companies") have introduced a Performance- Based Stock Compensation Plan (hereinafter the "Plan") for the executive officers of the Companies (excluding those residing overseas, the same applies hereinafter) using the Stock Grant Employee Stock Ownership Plan (ESOP) Trust (hereinafter "ESOP Trust"), mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders. The Companies adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015) to account for the said trust agreement.

(1) Outline of the transaction

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

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

The Company's shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 28, 2023, the carrying amount and the number of the Company's shares remaining in the Trust are 2,322 million yen and 605 thousand shares, respectively.

Consolidated Balance Sheets

*1 Claims and contract assets arising from contracts with customers

For notes, accounts receivable-trade and contract assets, the amounts of claims arising from contracts with customers and contract assets are stated in "Note (Revenue Recognition) 3 (i) Balance of claims, contract assets and contract liabilities arising from contracts with customers."

*2. The following "Investments in securities" under "Investments and other assets" are made in unconsolidated subsidiaries and associates.

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Investments in securities (shares)	38,629	42,806

*3. Assets pledged as collateral

(1) Assets pledged as collateral for the debts

Assets pledged as collateral

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Buildings and structures	463	581
Land	1,258	1,258
Investments in securities	79,715	86,736
Long-term leasehold deposits	1,162	1,149
Total	82,599	89,726

Debts for which above assets are pledged as collateral

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Long-term loans (including current portion of long-term loans)	9,717	9,229

(2) Assets pledged as collateral for fund transfer

Assets pledged as collateral

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Investments in securities	2,516	2,503
Long-term leasehold deposits	1,700	1,700
Total	4,216	4,203

(3) Assets pledged as collateral for real estate business

Assets pledged as collateral

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Long-term leasehold deposits	55	55

(4) Assets pledged as collateral to secure the amount of prepaid tickets issued

Assets pledged as collateral

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Long-term leasehold deposits	292	1,006

4. Guarantees

Guarantees for loans from financial institutions of employees of consolidated subsidiaries are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Employees' housing loans	42	34

5. Loan commitment

Some financial subsidiaries conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Credit availability of cash loan business	832,746	817,777
Outstanding balance	42,048	47,345
Unused credit balance	790,697	770,431

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 record. Some financial subsidiaries will cease finance services or reduce the credit limit based on the credit situation of customers or other justifiable reasons.

*6 Others

Bonds held by Seven Bank, Ltd.

Seven Bank, Ltd., one of the Company's consolidated subsidiaries, holds bonds to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These bonds are recorded in "Investments in securities" in the consolidated balance sheets due to its nature of restriction even if they have redemption at maturity less than one year.

Consolidated Statements of Income

*1 Revenues from contracts with customers

For revenues from operations, revenues from contracts with customer and other revenues are not separately stated. The amount of revenues from contracts with customers are stated in "Note (Revenue Recognition) 1. Components of revenues from contracts with customers" in the consolidated financial statements.

*2. The franchise commission from SEVEN-ELEVEN JAPAN CO., LTD.'s franchised stores and 7-Eleven, Inc.'s is included in "Operating revenues." The franchise commission from franchised stores and net sales of franchised stores are as follows:

SEVEN-ELEVEN JAPAN CO., LTD.

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Franchise commission from franchised stores	765,199	778,735
Net sales of franchised stores	4,853,881	5,056,946

7-Eleven, Inc.

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Franchise commission from franchised stores	294,374	362,301
Net sales of franchised stores	1,695,895	2,111,197

*3. Major items included in "Gain on sales of property and equipment" are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Buildings and structures	2,200	1,687
Land	6,497	7,066
Others	229	363
Total	8,927	9,116

Note: 108 million yen (Buildings and structures), 2,440 million yen (Land) and 5 million yen (Other) are included in "Gain on sales of property and equipment related to restructuring" in consolidated statements of income for the year ended February 28, 2022.

*4 Subsidy income

A breakdown of subsidy income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Subsidy income related to COVID-19	5,741	–
Subsidies for employment adjustment	1,907	–
Total	7,648	–

Note: The amount below has been reduced from selling, general and administrative expenses for the year ended February 28, 2023. (Subsidy income related to COVID-19 1,648million yen, Subsidies for employment adjustment 741 million yen).

*5 Major items included in “Loss on disposals of property and equipment” are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Buildings and structures	4,264	6,308
Furniture, fixtures and equipment	3,490	3,873
Others	5,911	3,929
Total	13,667	14,110

Note: 0 million yen (Buildings and structures) is included in “Restructuring expenses” in consolidated statements of income for the year ended February 28, 2022. 61 million yen (Buildings and structures) and 10 million yen (Furniture, fixtures and equipment) are included in “Restructuring expenses” in consolidated statements of income for the year ended February 28, 2023.

*6 Impairment loss

For the fiscal year ended February 28, 2022, the Company and its consolidated subsidiaries recognized as impairment loss on the following group of assets.

Descrip-tion	Classification	Location			Amount (Millions of yen)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	94 stores	25,070
			Department and specialty stores	49 stores	
			Superstores	2 stores	
			Others	1 store	
		Aichi Pref.	Domestic convenience stores	98 stores	
			Department and specialty stores	9 stores	
		Osaka Pref.	Domestic convenience stores	93 stores	
			Department and specialty stores	4 stores	
			Others	1 store	
		U.S. & others	Overseas convenience stores	150 stores	
Other facility, etc.	Software, etc.	Tokyo Met., Fukushima Pref., Nagano Pref., & others			2,705
Total					27,775

Note: 1,365 million yen (Stores) is included in “Restructuring expenses” in consolidated statements of income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit.

The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts when the book values exceed future cash flows before discount, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(Millions of yen)

	Stores	Other facilities, etc.	Total
Buildings and structures	20,055	474	20,530
Furniture, fixtures and equipment	2,455	32	2,487
Land	1,669	165	1,834
Software	5	1,829	1,834
Other	884	204	1,088
Total	25,070	2,705	27,775

Note: 1,291 million yen (Buildings and structures), 2 million yen (Furniture, fixtures and equipment), and 71 million yen (Other) are included in “Restructuring expenses” in consolidated statements of income.

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on the real estate appraisal standards etc., and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows using discount rates of 4.0% - 9.4%.

For the fiscal year ended February 28, 2023, the Company and its consolidated subsidiaries recognized as impairment loss on the following group of assets.

Description	Classification	Location			Amount (Millions of yen)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	155 stores	45,504
			Superstores	7 stores	
			Department and specialty stores	2 stores	
			Others	1 store	
		Osaka Pref.	Domestic convenience stores	62 stores	
			Department and specialty stores	1 stores	
			Others	1 store	
		Aichi Pref.	Domestic convenience stores	51 stores	
		U.S. & others	Overseas convenience stores	258 stores	
Other facility, etc.	Software, etc.	Tokyo Met., Kyoto Pref., Nagano Pref., & others			3,445
Total					48,950

Note: 5,530 million yen (Stores) is included in “Restructuring expenses” in consolidated statements of income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit.

The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts when the book values exceed future cash flows before discount, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(Millions of yen)

	Stores	Other facilities, etc.	Total
Buildings and structures	35,145	216	35,361
Furniture, fixtures and equipment	4,130	117	4,247
Land	2,240	137	2,377
Software	1	2,577	2,579
Other	3,986	397	4,383
Total	45,504	3,445	48,950

Note: 3,537 million yen (Buildings and structures), 602 million yen (Furniture, fixtures and equipment), 992 million yen (Land) and 396 million yen (Other) are included in “Restructuring expenses” in consolidated statements of income.

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on the real estate appraisal standards etc., and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows using discount rates of 3.4% - 7.3%.

*7 Restructuring expenses

A breakdown of restructuring expenses is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Impairment loss	1,365	5,530
Store closing loss	–	2,088
Early retirement benefit	247	105
Others	2,550	2,575
Total	4,163	10,298

Note: In addition to the above restructuring expenses, the Companies recognize “Gain on sales of property and equipment related to restructuring” for the years ended February 28, 2022 in the amount of 2,554 million yen.

*8 Loss related to COVID-19

A breakdown of loss related to COVID-19 is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Fixed cost during temporary closure (Salaries and wages, Land and building rent, etc.)	8,625	–
Cost of support to franchisees	1,492	–
Others	262	–
Total	10,380	–

Note: The “Loss related to COVID-19” was recorded as “Special losses” for the fiscal year ended February 28, 2022, because it was extraordinary expenses. However, it has been considered to be recurring expenses and has been recorded as “Selling, general and administrative expenses” for the fiscal year ended February 28, 2023.

Consolidated Statements of Comprehensive Income

* The components of other comprehensive income including reclassification adjustments and tax (expense) or benefits for the fiscal years ended February 28, 2022 and February 28, 2023 are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Unrealized gains (losses) on available-for-sale securities, net of taxes:		
Increase (decrease) during the fiscal year	3,211	(4,112)
Reclassification adjustments	(406)	(97)
Amount before tax	2,805	(4,210)
Tax effects	(731)	1,247
Subtotal	2,073	(2,962)
Unrealized gains (losses) on hedging derivatives, net of taxes:		
Increase during the fiscal year	3,595	723
Reclassification adjustments	–	–
Amount before tax	3,595	723
Tax effects	(905)	(190)
Subtotal	2,689	532
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	189,239	288,056
Remeasurements of defined benefit plan, net of taxes:		
Increase (decrease) during the fiscal year	1,391	(2,644)
Reclassification adjustments	(3,605)	(4,663)
Amount before tax	(2,213)	(7,308)
Tax effects	698	2,194
Subtotal	(1,515)	(5,113)
Share of other comprehensive income of entities accounted for using the equity method:		
Increase (decrease) during the fiscal year	156	203
Total other comprehensive income (loss)	192,642	280,717

Consolidated Statements of Changes in Net Assets

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

1. Type and number of shares outstanding and treasury stock

(1) Outstanding stock

(Thousands of shares)

	As of March 1, 2021	Number of shares increased	Number of shares decreased	As of February 28, 2022
Ordinary Share	886,441	–	–	886,441

(2) Treasury stock

(Thousands of shares)

	As of March 1, 2021	Number of shares increased	Number of shares decreased	As of February 28, 2022
Ordinary Share	3,475	4	154	3,325

Notes:
1. 4 thousand shares increased due to purchase of odd-lot shares.
2. 154 thousand shares, 0 thousand shares out of the 154 thousand shares decreased due to delivery of the shares of the Company held by the BIP Trust and the ESOP Trust, and sale of odd-lot shares, respectively.
3. The number of shares of treasury stock as of February 28, 2022 includes 1,469 thousand shares of the Company held by the BIP Trust and the ESOP Trust.

2. Subscription rights to shares and treasury subscription rights to shares

Entity		The Company	Total
Description of subscription rights to shares		Subscription rights to shares as stock-linked compensation stock option	
Type of shares to be issued upon excise of the rights		–	–
Number of shares to be issued upon the exercise of the rights (shares)	Number of shares as of March 1, 2021	–	–
	Number of shares increased	–	–
	Number of shares decreased	–	–
	Number of shares as of February 28, 2022	–	–
Balance as of February 28, 2022 (millions of yen)		56	56

3. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 27, 2021 Ordinary general meeting of shareholders	Ordinary Share	45,115 million yen	51.00 yen	Feb. 28, 2021	May 28, 2021
October 7, 2021 Board of Directors meeting	Ordinary Share	42,461 million yen	48.00 yen	Aug. 31, 2021	Nov. 15, 2021

Notes: 1. The total amount of cash dividends determined by the resolution of the ordinary general meeting of shareholders held on May 27, 2021 includes 82 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

2. The total amount of cash dividends determined by the resolution of the Board of Directors meeting held on October 7, 2021 includes 70 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(2) Dividends whose record date is within the fiscal year ended February 28, 2022, but to be effective after the fiscal year-end

Resolution	Type	Funds for dividends	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 26, 2022 Ordinary general meeting of shareholders	Ordinary Share	Retained earnings	45,999 million yen	52.00 yen	Feb. 28, 2022	May 27, 2022

Note: The total amount of cash dividends includes 76 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28 2023)

1. Type and number of shares outstanding and treasury stock

(1) Outstanding stock

(Thousands of shares)

	As of March 1, 2022	Number of shares increased	Number of shares decreased	As of February 28, 2023
Ordinary Share	886,441	–	–	886,441

(2) Treasury stock

(Thousands of shares)

	As of March 1, 2021	Number of shares increased	Number of shares decreased	As of February 28, 2023
Ordinary Share	3,325	2	111	3,217

Notes: 1. 2 thousand shares increased due to purchase of odd-lot shares.

2. 111 thousand shares, 0 thousand shares out of the 111 thousand shares decreased due to delivery of the shares of the Company held by the BIP Trust and the ESOP Trust, and sale of odd-lot shares, respectively.

3. The number of shares of treasury stock as of February 28, 2023 includes 1,358 thousand shares of the Company held by the BIP Trust and the ESOP Trust.

2. Subscription rights to shares and subscription rights to treasury shares

Entity		The Company	Total
Description of subscription rights to shares		Subscription rights to shares as stock-linked compensation stock option	
Type of shares to be issued upon excise of the rights		–	–
Number of shares to be issued upon the exercise of the rights (shares)	Number of shares as of March 1, 2022	–	–
	Number of shares increased	–	–
	Number of shares decreased	–	–
	Number of shares as of February 28, 2023	–	–
Balance as of February 28, 2023 (millions of yen)		49	49

3. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 26, 2022 Ordinary general meeting of shareholders	Ordinary Share	45,999 million yen	52.00 yen	Feb. 28, 2022	May 27, 2022
Oct. 6, 2022 Board of Directors meeting	Ordinary Share	43,788 Million yen	49.50 yen	Aug. 31, 2022	Nov. 15, 2022

Note: 1. The total amount of cash dividends determined by the resolution of the ordinary general meeting of shareholders held on May 26, 2022 includes 76 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

2. The total amount of cash dividends determined by the resolution of the Board of Directors meeting held on October 6, 2022 includes 67 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(2) Dividends whose record date is within the fiscal year ended February 28, 2023, but to be effective after the fiscal year-end

Resolution	Type	Funds for dividends	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 25, 2023 Ordinary general meeting of shareholders	Ordinary Share	Retained earnings	56,172 million yen	63.50 yen	Feb. 28, 2023	May 26, 2023

Note: 1. The total amount of cash dividends includes 86 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

2. Dividend per share 63.50 yen includes commemorative dividend of 10 yen for the 50th anniversary of the establishment of SEVEN-ELEVEN JAPAN CO., LTD.

Consolidated Statements of Cash Flows

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

*1 Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of the consolidated balance sheets

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)
Cash and bank deposits	1,420,653
Restricted cash	8,049
Time deposits and negotiable certificates of deposits with an original maturity of more than three months	(13,812)
Cash and cash equivalents	1,414,890

*2. Assets and liabilities of a newly consolidated subsidiary by acquisition of shares are as follows:

Speedway LLC and other

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)
Current assets	108,625
Non-current assets	1,074,482
Goodwill	1,348,179
Current liabilities	(159,410)
Non-current liabilities	(54,754)
Acquisition of shares	2,317,122
Accrued amount included in acquisition	(3,846)
Cash and cash equivalent	(17,712)
Payment for acquisition of business	2,295,563

*3. Major non-cash transactions

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)
Finance lease assets for property and equipment recorded in the consolidated balance sheet for the current fiscal year	6,799
Right-of-use assets recorded in the consolidated balance sheet for the current fiscal year	–
Asset retirement obligations recorded in the consolidated balance sheet for the current fiscal year	12,622

*4 Acquisition of business

The followings are the details of payment made by 7-Eleven, Inc. to acquire the assets and liabilities related to business acquisition.

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)
Inventory	468
Goodwill	10,891
Other	301
Subtotal	11,661
Property and equipment	5,348
Total	17,010

Property and equipment set out above at an amount of 5,348 million yen is included in acquisition of property and equipment in the Statements of Cash Flows for the fiscal year ended February 28, 2022.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

*1 Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of the consolidated balance sheets

(Millions of yen)

	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Cash and bank deposits	1,670,872
Restricted cash	18,835
Time deposits and negotiable certificates of deposits with an original maturity of more than three months	(14,920)
Cash and cash equivalents	1,674,787

*2. Major non-cash transactions

(Millions of yen)

	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Finance lease assets for property and equipment recorded in the consolidated balance sheet for the current fiscal year	9,824
Right-of-use assets recorded in the consolidated balance sheet for the current fiscal year	985,497
Asset retirement obligations recorded in the consolidated balance sheet for the current fiscal year	21,859

Note: The amount of right-of-use assets has increased due to the application of ASU 2016-02, Leases (Topic842), from the fiscal year ended February 28, 2023, mainly at foreign subsidiaries that have adopted U.S. GAAP.

*3 Acquisition of business

The followings are the details of payment made by 7-Eleven, Inc. to acquire the assets and liabilities related to business acquisition.

(Millions of yen)

	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Goodwill	224
Property and equipment	275
Total	500

Property and equipment set out above at an amount of 275 million yen is included in acquisition of property and equipment in the Statements of Cash Flows for the fiscal year ended February 28, 2023.

Leases

Operating lease transactions

As lessee:

Future lease payments to be received under non-cancellable leases of operating lease transactions

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Due within one year	131,551	21,757
Due after one year	854,502	120,686
Total	986,053	142,443

Note: Foreign subsidiaries that adopt US GAAP applied ASU No. 2016-02, Leases (Topic 842) from the beginning of the fiscal year ended February 28, 2023. Since they record lease obligations based on the present value of operating lease fees over the lease period, future lease payment on the relevant subsidiaries are not included in the amount of lease obligations in the current fiscal year.

As lessor:

Future lease payments to be received under non-cancellable leases of operating lease transactions

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Due within one year	10,599	10,948
Due after one year	21,397	20,583
Total	31,997	31,532

Financial Instruments

1. Status of financial instruments

(1) Policy on 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 Company does not hold or issue derivative instruments for short-term trading or speculative purposes.

(2) Description of financial instruments and their risks, and risk management system

The Group has stipulated responsible departments for each risk type and departments in charge of comprehensive risk management in the “basic rules for risk management,” and recognizes and manages risks with regard to financial instruments as follows.

While notes and accounts receivable-trade, which are operating receivables, are exposed to customers’ credit risks, relevant due dates and balances are managed for each counterparty. In addition, the Group works to monitor credibility of counterparties regularly and in a timely manner to early discover uncollectable receivables due to deterioration of financial conditions, etc., and avoid and mitigate losses.

Although leasehold deposits which mainly arise in association with lease agreements for stores are also exposed to credit risks of entities to which the deposits are made, like notes and accounts receivable-trade, the Group strives to early discover uncollectable receivables and avoid and mitigate losses by monitoring credibility of counterparties.

Although investments in securities are mainly shares of companies with which the Group has business relationships, government bonds held by Seven Bank, Ltd., etc. and are exposed to risks of fluctuations in market prices, the Group periodically assesses fair value of the securities, financial conditions of issuers, and others, and continuously reviews shareholdings in view of relationships with counterparty companies.

Of notes and accounts payable, trade, which are operating payables, foreign currency-denominated payables are exposed to risks of exchange rate fluctuations, but the Group enters into forward foreign exchange contracts for part of the amount of transactions settled for the purpose of avoiding and mitigating the risks. Furthermore, for forward foreign exchange contracts, the Group regularly assesses the status of gain or loss on valuation.

Of debt obligations, short-term loans are mainly aimed at procurement of funds for operating transactions, and long-term loans and bonds are principally aimed at procurement of funds for capital expenditures and M&A. For these items, the Group undertakes comprehensive asset-liability management (ALM).

While foreign currency-denominated loans are exposed to risks of exchange rate fluctuations, the Group strives to avoid such risks using currency swap contracts.

Although bonds and long-term loans with floating interest rate are exposed to risks of interest rate fluctuations, the Group strives to avoid and mitigate such risks using interest rate swap contracts and interest rate and currency swap contracts for some of the bonds and long-term loans.

For the above derivative transactions (forward foreign exchange contracts, interest rate swap contracts, and interest rate and currency swap contracts), the Group avoids and mitigates credit risks due to contractual default of counterparties by limiting transactions to contracts with financial instruments with high credibility.

In addition, although operating payables, loans and bonds are exposed to the liquidity risk of failure to make a payment on the due date, in the management of this risk, each operating company of the Group develops and manages the financial plan appropriately and the Company conducts cash management on a group-wide basis.

(3) Supplemental explanation regarding items relating to the market values of financial instruments

Because the determination of the value of financial instruments incorporates variable factors, the value may change by using different preconditions. In addition, the contract amount for derivative transactions in the note “Derivatives” itself does not represent market risks related to derivative transactions.

2. Items relating to the market values of financial instruments

The amounts recorded on the consolidated balance sheet, the market values, and the difference between these amounts are as follows.

As of February 28, 2022

(Millions of yen)

	Consolidated Balance Sheet	Market value	Difference
(1) Cash and bank deposits	1,420,653	1,420,653	–
(2) Notes and accounts receivable-trade	365,746		
Allowance for doubtful accounts(*1)	(3,326)		
	362,420	365,980	3,560
(3) Investments in securities	166,383	171,647	5,264
(4) Long-term leasehold deposits(*2)	248,261		
Allowance for doubtful accounts(*3)	(126)		
	248,134	254,282	6,147
Total assets	2,197,591	2,212,563	14,972
(1) Notes and accounts payable, trade(*4)	483,908	483,908	–
(2) Short-term loans	140,146	140,146	–
(3) Deposits received in banking business	787,879	787,940	61
(4) Bonds(*5)	1,642,906	1,602,699	(40,207)
(5) Long-term loans(*6)	1,115,680	1,119,861	4,180
(6) Deposits received from tenants and franchised stores(*7)	27,614	26,941	(672)
Total liabilities	4,198,135	4,161,497	(36,637)
Derivative instruments(*8)	(176)	(176)	–

(*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 accounts payable, franchised stores.
(*5) Including current portion of bonds.
(*6) Including current portion of long-term loans.
(*7) Including current portion of deposits received from tenants and franchised stores.
(*8) Net credit or liabilities arising from derivative instruments are shown.

(*9) The amounts of financial instruments on the consolidated balance sheet, for which market values are very difficult to determine, are as follows:

(Millions of yen)

Category	Fiscal year ended February 28, 2022
Investments in securities(*10)	
Unlisted shares	14,605
Stocks of subsidiaries and affiliates	29,695
Other	9,930
Long-term leasehold deposits(*11)	88,400
Deposits received from tenants and franchised stores(*11)	25,059

(*10) 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.

(*11) These are not included in Assets “(4) Long-term leasehold deposits” and Liabilities “(6) 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.

As of February 28, 2023

(Millions of yen)

	Consolidated Balance Sheet	Market value	Difference
(1) Notes, accounts receivable-trade and contract assets	422,635		
Allowance for doubtful accounts(*2)	(3,759)		
	418,876	422,494	3,617
(2) Investments in securities	179,030	183,394	4,364
(3) Long-term leasehold deposits(*3)	328,305		
Allowance for doubtful accounts(*4)	(412)		
	327,893	322,184	(5,708)
Total assets	925,799	928,072	2,273
(1) Deposits received in banking business	810,139	810,173	33
(2) Bonds(*5)	1,750,551	1,552,146	(198,405)
(3) Long-term loans(*6)	1,081,676	1,060,303	(21,372)
(4) Deposits received from tenants and franchised stores(*7)	51,610	46,856	(4,753)
Total liabilities	3,693,978	3,469,480	(224,498)
Derivative instruments(*8)			
(i) Derivative transactions to which hedge accounting is not applied	(7)	(7)	–
(ii) Derivative transactions to which hedge accounting is applied	27	27	–
Total derivative instruments	19	19	–

(*1) “Cash and deposits,” “Notes and accounts payable, trade” and “Short-term loans,” are omitted because their carrying amounts approximate fair values due to the short maturity.

(*2) Net allowance (after deducting allowance for doubtful accounts for notes, accounts receivable-trade and contract assets).

(*3) Including current portion of long-term leasehold deposits.

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

(*5) Including current portion of bonds.

(*6) Including current portion of long-term loans.

(*7) Including current portion of deposits received from tenants and franchised stores.

(*8) Net credit or debt generated from derivative transactions is indicated on a net basis whereas net obligations in total are indicated in parentheses.

(*9) The book value of unmarketable shares, etc., and investment in partnerships, etc., on the consolidated balance sheet are shown below, which are not included in Assets (2) Investments in securities.

(Millions of yen)

Category	Fiscal year ended February 28, 2023
Unlisted shares(*10)	17,501
Stocks of affiliates(*10)	33,329
Investments in partnerships, etc.(*11)	13,355

(*10) The market value of unlisted stocks and stocks of subsidiaries and affiliates are not disclosed based on Paragraph 5 of Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020).

(*11) The market value of investment in partnerships, etc. is not disclosed based on Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019).

Note 1: Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date

As of February 28, 2022

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and bank deposits	1,420,653	–	–	–
Notes and accounts receivable-trade	352,332	11,238	1,818	357
Investments in securities				
Available-for-sale securities with maturities				
Government and municipal bonds	6,400	20,615	–	–
Corporate bonds	23,400	31,600	–	–
Other	–	–	–	–
Long-term leasehold deposits	33,348	64,717	61,180	89,014
Total	1,836,134	128,170	62,999	89,371

As of February 28, 2023

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and bank deposits	1,670,872	–	–	–
Notes, accounts receivable-trade and contract assets	409,563	10,758	1,903	409
Investments in securities				
Available-for-sale securities with maturities				
Government and municipal bonds	10,331	34,084	–	–
Corporate bonds	13,100	40,400	1,000	–
Other	–	–	–	–
Long-term leasehold deposits	37,029	68,602	78,946	143,727
Total	2,140,896	153,845	81,849	144,137

Note 2: Expected redemption amounts of deposits received in banking business after the consolidated balance sheet date

As of February 28, 2022

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits received in banking business	673,250	114,628	–	–

(*) Of deposits received in banking business, demand deposits are included in "Within 1 year."

As of February 28, 2023

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits received in banking business	700,490	109,649	–	–

(*) Of deposits received in banking business, demand deposits are included in "Within 1 year."

Note 3: Repayment schedule of bonds payable and long-term loans after the consolidated balance sheet date

As of February 28, 2022

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years
Bonds	60,000	333,320	272,574	210,000	142,619	624,392
Long-term loans	121,280	138,378	308,460	139,188	100,670	307,701
Total	181,280	471,699	581,034	349,188	243,290	932,093

As of February 28, 2023

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years
Bonds	355,823	312,830	210,000	164,860	70,000	637,036
Long-term loans	145,605	177,116	238,577	113,057	196,913	210,405
Total	501,429	489,947	448,577	277,917	266,913	847,442

3. Market value of financial instruments by level

The market value of financial instruments is classified into the following three levels in proportion to the observability and significance of inputs used for the calculation of market value.

Market value of Level 1:	Of the observable inputs used for the calculation of market value, market values calculated using market prices of assets or liabilities formed in an active market, which are subject to the calculation of the relevant market value
Market value of Level 2:	Of the observable inputs used for the calculation of market value, market values calculated using inputs other than those inputs used in Level 1
Market value of Level 3:	Market values calculated using inputs for the calculation of unobservable market values

In the event of using multiple inputs that have a significant impact on the calculation of market value, of the inputs belong to each Level, market value is classified as the lowest priority level for the calculation of market value.

(1) Financial assets and liabilities stated on the consolidated balance sheet with market values

As of February 28, 2023

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
Shares	70,480	–	–	70,480
Municipal bonds	–	44,558	–	44,558
Bonds	–	54,514	–	54,514
Total assets	70,480	99,072	–	169,552
Derivative instruments				
Currency related	–	(29)	–	(29)
Interest related	–	49	–	49
Total liabilities	–	19	–	19

(2) Financial assets and liabilities stated at not market value on the consolidated balance sheet

As of February 28, 2023

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Notes, accounts receivable-trade and contract assets	–	348,616	73,877	422,494
Investments in securities				
Available-for-sale securities				
Shares	13,841	–	–	13,841
Long-term leasehold deposits	–	322,184	–	322,184
Total assets	13,841	670,801	73,877	758,520
Deposits received in banking business	–	810,173	–	810,173
Bonds	–	1,552,146	–	1,552,146
Long-term loans	–	1,060,303	–	1,060,303
Deposits received from tenants and franchised stores	–	46,856	–	46,856
Total liabilities	–	3,469,480	–	3,469,480

Note: Explanation regarding the valuation method and inputs used for calculation of the market value

(Assets)

Investments in securities

The market value of listed stocks is classified as Level 1 because their market prices are used. Market values of municipal bonds and corporate bonds are classified as Level 2 because the frequency of their transactions in the market is low and transaction prices cannot be regarded as market prices in an active market.

Notes, accounts receivable-trade and contract assets

The market value of notes and accounts receivable-trade with short settlement periods is classified as Level 2 because the relevant book values are used as market values and book values are almost equivalent. The market value of items with long settlement periods is classified as Level 3 because it 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.

Long-term leasehold deposits

The market value of long-term leasehold deposits is classified as Level 2 because it 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)

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. The relevant market value is classified as Level 2.

Bonds

The market value of domestic bonds that have market prices is based on these prices. The market value of bonds that do not have market prices is the present value, which is calculated by discounting the total of principal and interest to reflect the remaining period of the said bonds and an interest rate that allows for credit risk. So they are classified as Level 2. In addition, since foreign currency-denominated bonds are subject to designated accounting treatment, their market value is determined by the method where fair value is calculated by discounting future cash flows treated as a part of the currency swaps using the interest rate assumed to be applied if a new similar domestic bond is issued. Therefore it is classified as Level 2.

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. Therefore it is classified as Level 2. Long-term loans with floating interest rate are subject to specific accounting treatment for interest rate swaps or integral accounting treatment (specific accounting treatment or designated accounting treatment) for interest rate and currency swaps, and the market value is calculated by discounting the total of principal and interest that were treated as a part of the interest rate swaps or interest rate and currency swaps at a reasonably estimated interest rate that would be applied for similar loans. Therefore it is classified as Level 2.

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—reflecting collectability—by the corresponding yield on government bonds over the remaining period. So it is classified as Level 2.

Valuation method for derivatives

The currency related market value is calculated by the discounted present method using observable inputs such as interest and exchange rate. The fair value of forward foreign exchange contracts that are accounted for using designated accounting is included in that of corresponding notes and accounts payable, trade, since those forward foreign exchange contracts are treated as an adjustment to accounts payable, trade, as hedged items. The relevant market value is classified as Level 2.

The interest related fair value is calculated by the discounted present method using observable inputs such as interest and exchange rate. The fair value of interest rate swaps that are accounted for using specific accounting is included in that of corresponding long-term loans, since those interest rate swaps are treated as an adjustment to the long-term loans as hedged items. The fair value of interest rate and currency swaps that are accounted for using integral accounting treatment (specific accounting treatment, designated accounting treatment) is included in that of corresponding long-term loans, since those interest rate and currency swaps are treated as an adjustment to the long-term loans as hedged items. The relevant market value is classified as Level 2.

Securities

1. Available-for-sale securities

As of February 28, 2022

(Millions of yen)

	Classification	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares	73,603	21,976	51,627
	(2) Debentures			
	(i) Government and municipal bonds, etc.	8,450	8,449	1
	(ii) Corporate bonds	5,102	5,102	0
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	87,157	35,527	51,629
Items whose carrying amount does not exceed acquisition cost	(1) Shares	1,614	1,833	(218)
	(2) Debentures			
	(i) Government and municipal bonds, etc.	18,583	18,609	(25)
	(ii) Corporate bonds	50,094	50,156	(61)
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	70,292	70,598	(306)
Total		157,449	106,126	51,323

Note: Since unlisted shares (carrying amount in the consolidated balance sheet: ¥14,605 million) do not have market prices, the fair value is deemed extremely difficult to determine. Therefore, they are not included in "Available-for-sale securities" in the above table.

As of February 28, 2023

(Millions of yen)

	Classification	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares	69,924	23,244	46,679
	(2) Debentures			
	(i) Government and municipal bonds, etc.	4,994	4,993	0
	(ii) Corporate bonds	4,400	4,399	0
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	79,318	32,637	46,680
Items whose carrying amount does not exceed acquisition cost	(1) Shares	555	610	(55)
	(2) Debentures			
	(i) Government and municipal bonds, etc.	39,564	39,661	(96)
	(ii) Corporate bonds	50,114	50,372	(258)
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	90,233	90,644	(410)
Total		169,552	123,282	46,270

Note: Unmarketable stocks, etc. (¥17,501 million on the consolidated balance sheet) are not included in the above table.

2. Available-for-sale securities sold during the fiscal year ended February 28, 2023

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Classification	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	115	95	–
(2) Debentures			
(i) Government and municipal bonds, etc.	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	115	95	–

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

Classification	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	487	272	–
(2) Debentures			
(i) Government and municipal bonds, etc.	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	487	272	–

3. Securities for which an impairment loss has been recognized

In the fiscal year ended February 28, 2022, impairment losses of ¥301 million were recognized for securities. In the fiscal year ended February 28, 2023, impairment losses of ¥476 million were recognized for securities.

In the recognition of impairment losses, impairment losses are recognized for the full amount if the fair value at year-end has fallen by 50% or more compared to the acquisition cost, and for the amount deemed necessary in light of recoverability, etc. if the fair value at year-end has fallen by 30% to 50% or so.

Derivatives

1. Derivative transactions to which hedge accounting is not applied

Currency related

As of February 28, 2022

(Millions of yen)

Category	Type of transaction	Contract amount	Due after one year	Fair value	Valuation gain (loss)
Transactions other than at the exchange	Forward foreign exchange contracts				
	Purchased				
	USD	1,123	–	16	16
	EUR	165	–	(2)	(2)
	RMB	126	–	3	3
Total		1,416	–	16	16

Note: Method of calculation of fair value

Determined based on the price provided by correspondent financial institutions.

As of February 28, 2023

(Millions of yen)

Category	Type of transaction	Contract amount	Due after one year	Fair value	Valuation gain (loss)
Transactions other than at the exchange	Forward foreign exchange contracts				
	Purchased				
	USD	1,842	–	(17)	(17)
	EUR	421	–	9	9
	RMB	72	–	0	0
Total		2,335	–	(7)	(7)

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

As of February 28, 2022

(Millions of yen)

Method of hedge accounting	Type of transaction	Major hedged items	Contract amount	Due after one year	Fair value
Deferred hedge accounting	Forward foreign exchange contracts Purchased USD	Accounts payable, trade	1,885	–	(Note 1) 27
Designated accounting treatment for forward foreign exchange contracts	Forward foreign exchange contracts Purchased USD	Accounts payable, trade	103	–	(Note 2) –

Note: Method of calculation of fair value

1. Determined based on the price provided by correspondent financial institutions.
2. The fair value of forward foreign exchange contracts that are accounted for using designated accounting is included in that of corresponding notes and accounts payable, trade, since those forward foreign exchange contracts are treated as an adjustment to accounts payable, trade, as hedged items.

As of February 28, 2023

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amount	Due after one year	Fair value
Deferred hedge accounting	Forward foreign exchange contracts Purchased USD	Accounts payable, trade	1,598	–	(21)
Designated accounting treatment for forward foreign exchange contracts	Forward foreign exchange contracts Purchased USD	Accounts payable, trade	174	–	–

(2) Interest related

As of February 28, 2022

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amount	Due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Payment: fixed / Receipt: floating	Long-term loans	8,626	8,626	(Note 1) (220)
Specific accounting treatment for interest rate swaps	Interest rate swap contracts Payment: fixed / Receipt: floating	Long-term loans	1,625	1,125	(Note 2) –
Integral accounting treatment (specific accounting treatment, designated accounting treatment) for interest rate and currency swaps	Interest rate and currency swap contracts Payment: fixed / Receipt: floating Receipt: USD / Payment: JPY	Foreign currency-denominated long-term loans	298,974	298,974	(Note 3) –

Note: Method of calculation of fair value

1. Determined based on the price provided by correspondent financial institutions.
2. The fair value of interest rate swaps that are accounted for using specific accounting is included in that of corresponding long-term loans, since those interest rate swaps are treated as an adjustment to the long-term loans as hedged items.
3. The fair value of interest rate and currency swaps that are accounted for using integral accounting treatment (specific accounting treatment, designated accounting treatment) is included in that of corresponding long-term loans, since those interest rate and currency swaps are treated as an adjustment to the long-term loans as hedged items.

As of February 28, 2023

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amount	Due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Payment: fixed / Receipt: floating	Long-term loans	9,952	–	49
Specific accounting treatment for interest rate swaps	Interest rate swap contracts Payment: fixed / Receipt: floating	Long-term loans	1,125	625	–
Integral accounting treatment (specific accounting treatment, designated accounting treatment) for interest rate and currency swaps	Interest rate and currency swap contracts Payment: fixed / Receipt: floating Receipt: USD / Payment: JPY	Foreign currency-denominated long-term loans	298,974	298,974	–

Retirement Benefits

1. Overview of retirement benefit plans adopted

   The Company and consolidated domestic subsidiaries have established corporate pension fund plans mainly as defined benefit plans, and the Company and certain subsidiaries have also adopted selection-type defined contribution pension plans. Certain subsidiaries have adopted defined contribution plans or lump-sum retirement benefit plans. In addition, extra retirement payments may be made upon retirement, etc. of employees.

   Certain consolidated subsidiaries in the U.S. have established defined contribution pension plans in addition to defined-benefit-type retirement benefit plans.

   Certain consolidated subsidiaries apply the simplified method in calculating retirement benefit obligations.

2. Defined benefit plans

   (1) Changes in retirement benefit obligations

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Balance of retirement benefit obligations at beginning of period	282,309	284,440
Service cost(Note 1)	13,100	13,077
Interest cost	1,633	1,728
Actuarial gains and losses accrued	(747)	(27,268)
Retirement benefits paid	(14,796)	(13,004)
Increase due to acquisition of consolidated subsidiaries(Note 2)	1,814	–
Other	1,128	1,168
Balance of retirement benefit obligations at end of period	284,440	260,142

Notes: 1. Pension expenses of consolidated subsidiaries using the simplified method are recorded in “service cost.”

2. “Increase due to acquisition of consolidated subsidiaries” is the increase due to the acquisition by 7-Eleven, Inc. of shares and other equity interests in Speedway LLC and 20 other companies.

   (2) Changes in plan assets

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Balance of plan assets (including retirement benefit trust) at beginning of period	352,887	357,956
Expected return on plan assets	7,043	7,120
Actuarial gains and losses accrued	646	(29,911)
Contribution from employer	11,819	11,730
Retirement benefits paid	(14,441)	(12,050)
Other	–	(1,198)
Balance of plan assets at end of period	357,956	333,647

(3) Reconciliation between ending balance of retirement benefit obligations and plan assets, and net defined benefit liability/asset recorded in the consolidated balance sheet

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Retirement benefit obligations of funded plans	271,738	246,558
Plan assets	(357,956)	(333,647)
	(86,217)	(87,088)
Retirement benefit obligations of unfunded plans	12,702	13,584
Net amount of liabilities and assets recorded in the consolidated balance sheet	(73,515)	(73,504)
Net defined benefit liability	12,702	13,584
Net defined benefit asset	(86,217)	(87,088)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(73,515)	(73,504)

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Service cost(Note)	13,100	13,077
Interest cost	1,633	1,728
Expected return on plan assets	(7,043)	(7,120)
Amortization of actuarial gains and losses	(3,242)	(3,741)
Amortization of prior service cost	(0)	(1)
Extra amount paid on a non-regular basis	2,393	1,058
Retirement benefit expenses for defined benefit plans	6,840	5,000

Note: Pension expenses of consolidated subsidiaries using the simplified method are recorded in “service cost.”

(5) Remeasurements of defined benefit plans included in other comprehensive income

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Prior service cost	(2)	(2)
Actuarial gains and losses	(2,211)	(7,052)
Other	–	(253)
Total	(2,213)	(7,308)

(6) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Unrecognized prior service cost	10	13
Unrecognized actuarial gains and losses	(20,300)	(13,249)
Other	(253)	–
Total	(20,543)	(13,236)

(7) Matters related to plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Debentures	62 %	49 %
Shares	28	27
Other	10	24
Total	100	100

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(8) Actuarial assumptions

Major actuarial assumptions

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Discount rate	Primarily 0.5% (3.0% for consolidated subsidiaries in the U.S.)	Primarily 1.3% (5.6% for consolidated subsidiaries in the U.S.)
Long-term expected rate of return	Primarily 2.0%	Primarily 2.0%
Expected rate of salary increase	Primarily 2.5%	Primarily 2.5%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries in Japan and the U.S. were 7,481 million yen as of February 28, 2022 and 8,941 million yen as of February 28, 2023.

Stock Options

1. Expenses and account titles for stock options

None

2. Details, volume and changes of stock options

The Company

(1) Details of stock options

	15th share subscription rights issue (Stock option as stock-based compensation)	17th share subscription rights issue (Stock option as stock-based compensation)	19th share subscription rights issue (Stock option as stock-based compensation)	20th share subscription rights issue (Stock option as stock-based compensation)
Category and number of grantees	Directors of the Company: 8	Directors of the Company: 7	Directors of the Company: 6	Executive officers of the Company, Directors and executive officers of subsidiaries: 115
Class and number of shares granted(Note 1)	Ordinary share: 28,100 shares	Ordinary share: 16,500 shares	Ordinary share: 16,100 shares	Ordinary share: 110,700 shares
Grant date	August 5, 2015	August 3, 2016	August 4, 2017	Same as left
Vesting conditions	(Note 2)	Same as left	Same as left	Same as left
Requisite service period	Not prescribed	Same as left	Same as left	Same as left
Exercise period	From February 29, 2016 to August 5, 2035	From February 28, 2017 to August 3, 2036	From February 28, 2018 to August 4, 2037	From February 28, 2018 to August 4, 2047

	21st share subscription rights issue (Stock option as stock-based compensation)	22nd share subscription rights issue (Stock option as stock-based compensation)
Category and number of grantees	Directors of the Company: 7	Executive officers of the Company, Directors and executive officers of subsidiaries: 112
Class and number of shares granted(Note 1)	Ordinary share: 18,200 shares	Ordinary share: 111,100 shares
Grant date	August 3, 2018	Same as left
Vesting conditions	(Note 2)	Same as left
Requisite service period	Not prescribed	Same as left
Exercise period	From February 28, 2019 to August 3, 2038	From February 28, 2019 to August 3, 2048

Notes: 1. The number of stock options is converted and stated as number of shares.

2. A share subscription right holder may exercise the share subscription rights only within ten 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.

(2) Volume and changes of stock options

Targeting stock options that existed in the fiscal year ended February 28, 2023, the number of stock options is converted and stated as number of shares.

(i) Number of stock options

	15th share subscription rights issue (Stock option as stock-based compensation)	17th share subscription rights issue (Stock option as stock-based compensation)	19th share subscription rights issue (Stock option as stock-based compensation)	20th share subscription rights issue (Stock option as stock-based compensation)
Stock options before vesting (shares)				
At end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting (shares)				
At end of previous fiscal year	3,000	3,000	3,000	1,000
Vested	–	–	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	1,000
Unexercised balance	3,000	3,000	3,000	–

	21st share subscription rights issue (Stock option as stock-based compensation)	22nd share subscription rights issue (Stock option as stock-based compensation)
Stock options before vesting (shares)		
At end of previous fiscal year	–	–
Granted	–	–
Lapsed	–	–
Vested	–	–
Unvested balance	–	–
Stock options after vesting (shares)		
At end of previous fiscal year	3,000	1,000
Vested	–	–
Exercised	–	–
Lapsed	–	1,000
Unexercised balance	3,000	–

Note: Lapsed subscription rights resulted from transition to Employee Stock Option Plan (ESOP) trust.

(ii) Unit price information

	15th share subscription rights issue (Stock option as stock-based compensation)	17th share subscription rights issue (Stock option as stock-based compensation)	19th share subscription rights issue (Stock option as stock-based compensation)	20th share subscription rights issue (Stock option as stock-based compensation)
Exercise price	¥1 per share	¥1 per share	¥1 per share	¥1 per share
Average share price at the time of exercise	–	–	–	–
Fair value per unit at grant date(Note)	per subscription right ¥533,000	per subscription right ¥361,300	per subscription right ¥369,800	per subscription right ¥380,800

	21st share subscription rights issue (Stock option as stock-based compensation)	22nd share subscription rights issue (Stock option as stock-based compensation)
Exercise price	¥1 per share	¥1 per share
Average share price at the time of exercise	–	–
Fair value per unit at grant date(Note)	per subscription right ¥380,600	per subscription right ¥380,400

Note: The number of shares to be issued upon exercise of one subscription right shall be 100 shares of the Company's ordinary shares.

3. Method for estimating the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of stock options vested only reflects the number of options that have actually lapsed.

Deferred Tax Accounting

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Deferred tax assets		
Contract liabilities	–	23,022
Allowance for bonuses to employees	4,244	4,821
Allowance for sales promotion expenses	4,970	304
Denial of accrued personnel expenses	12,570	18,726
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	176	162
Excess of allowable limit of deductible expenses for net defined benefit liability	974	954
Allowance for loss on future collection of gift certificates	363	–
Excess of allowable limit of deductible expenses for depreciation and amortization	9,992	7,815
Tax loss carried forward(*)	131,835	126,568
Loss on valuation of securities	826	869
Excess of allowable limit of deductible expenses for allowance for doubtful accounts	1,583	1,838
Valuation difference on non-current assets	9,863	9,223
Valuation difference on land and denial of impairment loss	49,866	55,596
Accrued enterprise taxes and business office taxes	3,987	4,261
Denial of accrued expenses	13,327	34,727
Asset retirement obligations	25,001	26,222
Unearned revenue	12,211	1,213
Other	28,879	30,156
Subtotal (deferred tax assets)	310,676	346,485
Valuation allowance for tax loss carried forward(*)	(46,562)	(50,895)
Valuation allowance for total deductible temporary differences, etc.	(36,495)	(37,145)
Subtotal (valuation allowance)	(83,058)	(88,040)
Total deferred tax assets	227,617	258,444
Deferred tax liabilities		
Valuation difference on non-current assets	(203,079)	(275,935)
Valuation difference on royalties, etc.	(32,063)	(50,192)
Reserve for advanced depreciation of non-current assets	(688)	(674)
Valuation difference on securities	(16,127)	(14,701)
Net defined benefit asset	(26,364)	(26,629)
Adjustment of gain/loss on transfer	(4,055)	(4,261)
Removal cost related to asset retirement obligations	(10,062)	(9,605)
Other	(1,462)	(3,501)
Total deferred tax liabilities	(293,903)	(385,501)
Net deferred tax liabilities	(66,285)	(127,056)

(*) Amounts of tax loss carried forward and the relevant deferred tax assets by expiration of carryforwards

As of February 28, 2022

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carried forward[(a)]	3,659	4,520	6,631	3,948	6,718	106,358	131,835
Valuation allowance	3,659	4,511	6,623	3,908	6,658	21,200	46,562
Deferred tax assets	–	8	7	40	59	85,157	(b) 85,273

(a) Tax loss carried forward is the amount calculated by multiplying the tax loss carried forward by the statutory effective tax rate.

(b) Deferred tax assets for the tax loss carried forward are considered recoverable based on expected future taxable profit.

As of February 28, 2023

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carried forward[(a)]	4,790	6,809	4,065	6,849	3,159	100,895	126,568
Valuation allowance	4,779	6,802	3,900	6,746	2,999	25,665	50,895
Deferred tax assets	10	6	164	102	159	75,229	(b) 75,673

(a) Tax loss carried forward is the amount calculated by multiplying the tax loss carried forward by the statutory effective tax rate.

(b) Deferred tax assets for the tax loss carried forward are considered recoverable based on expected future taxable profit.

Net deferred tax liabilities in the fiscal years ended February 28, 2022 and February 28, 2023 are included in the following items in the consolidated balance sheets.

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Deferred tax assets: Non-current assets	43,539	57,186
Deferred tax liabilities: Non-current liabilities	(109,825)	(184,242)

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Equity in earnings of affiliates	(0.3)	(0.2)
Expenses not deductible permanently, such as entertainment expenses	0.8	0.2
Change in valuation allowance	(0.7)	1.2
Inhabitant per capita taxes	0.5	0.4
Amortization of goodwill	7.0	8.6
Differences in tax rates of foreign subsidiaries	(4.7)	(6.0)
Tax effect adjustments for consolidated journal entry	(5.4)	(6.7)
Other	0.6	(0.6)
Effective rate of income taxes after application of deferred tax accounting	28.4	27.5

Business Combinations, etc.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

Business combination by acquisition

Finalization of provisional acquisition accounting for business combination

As of August 3, 2020, the Company's consolidated subsidiary, 7-Eleven, Inc. executed an agreement with U.S. company Marathon Petroleum Corporation ("MPC"), to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses of MPC mainly under the Speedway brand (excluding certain fuel retail operations with direct dealers and other certain businesses). 7-Eleven, Inc. acquired the shares and other interests of the companies as of May 14, 2021 through SEI Speedway Holdings, LLC established as the Company's wholly-owned subsidiary, and made provisional acquisition accounting in the fiscal year ended February 28, 2022. The Company finalized provisional acquisition accounting in the fiscal year ended February 28, 2023.

In addition, the amount of the purchase price has been changed due to adjustments of the consideration paid in the fiscal year ended February 28, 2023. As a result, the amount and the breakdown of the revised allocation are as follows:

Goodwill (before revision)	$12,267,329 thousand	(¥1,357,134 million)
Revised amount of goodwill		
Changes in purchase price due to adjustments of consideration paid	$66,000 thousand	(7,301 million yen)
Decrease (increase) in property and equipment	$6,566 thousand	(726 million yen)
Increase (decrease) in current liabilities	$15,732 thousand	(1,740 million yen)
Other	$965 thousand	(106 million yen)
Total	$89,265 thousand	(9,875 million yen)
Goodwill (after revision)	$12,356,594 thousand	(1,367,010 million yen)

Note: Converted at the rate of $1 = ¥110.63 (as of May 13, 2021).

An acquirer, SEI Speedway Holdings, LLC and its parent company, 7-Eleven, Inc., a subsidiary of the Company, follows U.S. GAAP and has adopted ASU 2015-16. As ASU 2015-16 requires that an acquirer recognize adjustments to provisional acquisition accounting that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, adjustments of the purchase price allocation are not reflected in comparative information.

The impact of these adjustments did not have a significant impact on the Company's operating income, ordinary income, and income before income taxes for the fiscal year ended February 28, 2023.

Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet

(1) Overview of the asset retirement obligations

They are mainly obligations to restore the site to its original condition associated with real estate lease agreements for buildings for stores.

(2) Method of calculating the amount of the asset retirement obligations

The expected use period is estimated to be the contractual period of the real estate lease agreement, etc. and is one to 50 years. The amount of the asset retirement obligations was calculated using the discount rate of 0% to 8.3%.

(3) Increase (decrease) in the total amount of the asset retirement obligations

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Balance at beginning of period	101,796	133,175
Increase due to acquisition of property and equipment	8,709	9,421
Adjustments due to the passage of time	1,761	2,015
Decrease due to fulfillment of asset retirement obligations	(4,900)	(5,089)
Decrease due to exemption from obligations to restore the site to its original condition	(197)	(22)
Increase (decrease) due to change of estimates	2,151	10,422
Decrease due to differences between the balance of asset retirement obligations and the actual retirement costs	(606)	(21)
Increase due to acquisition of consolidated subsidiaries(Note 1)	22,176	–
Other increase (decrease)(Note 2)	2,283	7,422
Balance at end of period	133,175	157,324

Note 1. "Increase due to acquisition of consolidated subsidiaries" in the fiscal year ended February 28, 2022 is the increase due to the acquisition by 7-Eleven, Inc. of shares and other equity interests in Speedway LLC and 20 other companies.

2. "Other increase (decrease)" is mainly due to exchange rate fluctuations.

(4) Change of the estimated amount of the asset retirement obligations

For asset retirement obligations recorded as obligations to restore the site to its original condition for the fiscal years ended February 28, 2022 and February 28, 2023, the estimates of the costs to restore the site to its original condition and the expected use period were changed as a result of obtaining new information, such as the most recent data on restoration costs, and the increases of ¥2,151 million and ¥10,422 million due to the changed estimates were added to the balances of the asset retirement obligations before the change.

Rental and Other Investment Property

The information is omitted as the total amount of rental and other investment property is immaterial.

Revenue Recognition

1. Components of revenues from contracts with customers

   Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Reportable segment						Total	Adjustments (Note 1)	Revenue from external customers
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Japan	885,358	–	1,404,763	456,708	111,953	8,775	2,867,559	561	2,868,120
North America	–	8,578,330	–	–	9,054	–	8,587,384	–	8,587,384
Others	–	27,660	37,435	919	4,797	–	70,813	–	70,813
Revenues from contracts with customers	885,358	8,605,990	1,442,199	457,627	125,805	8,775	11,525,756	561	11,526,318
Other revenues (Note 2)	2,858	237,375	2,428	2,936	39,092	292	284,984	–	284,984
Revenue from external customers	888,216	8,843,366	1,444,627	460,564	164,898	9,068	11,810,741	561	11,811,303

Note 1. “Adjustments” are in the segment of operating revenues that do not belong to reportable segments.

2. Other revenues are revenues based on ASU No. 2016-02, Leases (Topic 842), rental revenues from movable property or real estate based on Accounting Standard for Lease Transactions (ASBJ Statement No. 13), financial revenues based on Accounting Standard for Financial Instruments (ASBJ Statement No. 10), etc.

2. Basic information for understanding revenue

   Basic information for understanding revenue arising from contracts with customers is described in “Notes to Accounting Policies for the Preparation of Consolidated Financial Statements 4. Summary of significant accounting policies, (6) Accounting standard for recognition of significant revenues and expenses.”

3. Information for understanding amounts in the consolidated financial statements for the fiscal year ended February 28, 2023 and beyond

(i) Balance of claims, contract assets and contract liabilities arising from contracts with customers

The amounts of claims, contract assets and contract liabilities arising from contracts with customers are as follows:

(Millions of yen)

	As of March 1, 2022	As of February 28, 2023
Claims arising from contracts with customers		
Notes receivable	64	66
Accounts receivable-trade	364,705	421,179
Other	91,622	133,351
Contract assets	488	531
Contract liabilities	175,882	211,356

Contract assets are related to considerations of recognized revenues that have not been claimed under a contract in which performance obligation is satisfied over a certain period of time. Contract assets shall be transferred to operating receivables at the time when the claim to payment becomes unconditional and the payment request is made. Contract assets are included in “Notes, accounts receivable-trade and contract assets” on the consolidated balance sheet.

Contract liabilities are the balance of the amount of outstanding performance obligation that have not been satisfied as of the end of the fiscal year for gift certificates issued by the Group, electronic money, granted points, store opening preparation expenses, etc., to be received form franchised stores. Contract liabilities arising from electronic money, gift certificates, points, etc., shall be reversed depending on their use, and those arising from store opening preparation expenses, etc., to be received from franchised stores shall be reversed on the recognition of revenues with the passage of time.

Of the recognized revenues, the amount of recognized revenues included in contract liabilities as of the beginning of the fiscal year was 106,992 million yen. Revenues recognized from performance obligation that was satisfied in the past period have no significance in the amount.

(ii) Transaction price allocated to remaining performance obligation

The total transaction prices allocated to the remaining performance obligations were 254,914 million yen as of the end of fiscal year ended February 28, 2023. Revenues from remaining performance obligations of electronic money, gift certificates, points, etc. are estimated to be recognized depending on their use, and revenues from those of fixed rent to be received from tenants and store opening preparation expenses, etc. to be received from franchised stores are recognized with the passage of time within approximately 15 years.

Transactions and sales within a year of the estimated original contract period, or variable considerations including royalties based on the usage fees are not included in the above revenues. Sales or royalties based on the usage fees are mainly royalties received from franchised stores. Remaining contract periods are one year to 15 years for each contract.

Segment Information

Segment Information

1. Overview of reportable segments

   With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units. Its segments are subject to periodical review for the purpose of making decisions on allocation of managerial resources and evaluating business performance by the Board of Directors.

   Under the holding company structure, the Company has classified its consolidated subsidiaries into six segments which are “Domestic convenience store operations,” “Overseas convenience store operations,” “Superstore operations,” “Department and specialty store operations,” “Financial services” and “Others,” according to the nature of products, services and sales operations.

   “Domestic convenience store operations” operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under SEVEN-ELEVEN JAPAN CO., LTD. “Overseas convenience store operations” operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under 7-Eleven, Inc. “Superstore operations” operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. “Department and specialty store operations” operate a retail business that collects and provides various and high-dollar merchandise and services as well as advanced and unique merchandise and services. “Financial services” operate a banking business, credit card business and leasing business. “Others” operate several businesses including the real estate business.

2. Calculation methodology for revenues from operations, income or losses, assets and liabilities and other items for each reportable segments

   The accounting treatment of each reportable segments is in line with the “Accounting policies for the preparation of consolidated financial statements.”

   Segment income (loss) and segment liabilities as reported in this section are based on operating income and interest bearing debt, respectively. Intersegment revenues and transfers are calculated at prevailing market prices.

3. Information on revenues from operations, income, loss, assets, liabilities and other monetary items for each reportable segments

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Reportable segment						Total	Adjust-ments	Consoli-dated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Revenues from operations									
Customers	871,294	5,191,910	1,804,516	709,472	165,361	7,072	8,749,628	123	8,749,752
Intersegment	1,944	2,417	6,212	2,810	29,037	13,268	55,690	(55,690)	–
Total	873,239	5,194,327	1,810,728	712,282	194,399	20,340	8,805,319	(55,567)	8,749,752
Segment income (loss)	223,396	159,866	18,791	(8,153)	37,549	(115)	431,334	(43,681)	387,653
Segment assets	1,182,328	4,126,637	972,803	531,990	1,711,943	36,070	8,561,773	177,506	8,739,279
Segment liabilities (interest bearing debt)	–	1,500,345	–	169,806	287,607	–	1,957,759	940,974	2,898,733
Other items									
Depreciation	80,781	127,193	28,600	14,460	31,783	877	283,696	8,865	292,561
Amortization of goodwill	–	67,355	3,098	462	359	–	71,276	–	71,276
Investment in associates accounted for using the equity method	9,497	5,771	7,178	10,867	1,378	3,937	38,629	–	38,629
Impairment loss	9,944	2,359	6,359	7,882	761	67	27,374	400	27,775
Net increase in property and equipment, and intangible assets	91,785	178,432	60,747	13,848	34,046	2,322	381,182	44,438	425,621

Notes:
1. The adjustments of (43,681) million yen for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
2. The adjustments of 177,506 million yen for segment assets are eliminations of intersegment transactions and corporate assets.
3. The adjustments of 940,974 million yen for segment liabilities are corporate liabilities and the Company's bonds. The amount of each segment liability does not include intersegment transactions.
4. The adjustments of 8,865 million yen for depreciation are depreciation for corporate assets.
5. The adjustments of 44,438 million yen for net increase in property and equipment, and intangible assets, are eliminations of intersegment transactions and net increase in corporate assets.
6. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.
7. 1,365 million yen out of "Impairment loss" in the table above is included in "Restructuring expenses" in consolidated statements of income for the fiscal year ended February 28, 2022.

(Reference)

Revenues from operations and operating income by geographic area segments are as described below.

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
Customers	3,467,722	5,169,616	112,413	8,749,752	–	8,749,752
Intersegment	1,118	436	87	1,642	(1,642)	–
Total revenues	3,468,840	5,170,053	112,500	8,751,394	(1,642)	8,749,752
Operating income (loss)	227,174	159,507	1,029	387,711	(58)	387,653

Notes: 1. The classification of geographic area segments is determined according to geographical distances.

2. “Others” consist of the business results in the China etc.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Reportable segment						Total	Adjust-ments	Consoli-dated total
	Domestic conve-nience store operations	Overseas conve-nience store operations	Super-store operations	Depart-ment and specialty store opera-tions	Financial services	Others			
Revenues from operations									
Customers	888,216	8,843,366	1,444,627	460,564	164,898	9,068	11,810,741	561	11,811,303
Intersegment	2,077	2,797	4,537	3,174	29,397	16,976	58,960	(58,960)	–
Total	890,293	8,846,163	1,449,165	463,739	194,295	26,044	11,869,702	(58,398)	11,811,303
Segment income (loss)	232,033	289,703	12,107	3,434	37,140	(466)	573,953	(67,432)	506,521
Segment assets	1,204,038	5,764,895	983,632	526,288	1,905,942	39,473	10,424,270	126,685	10,550,956
Segment liabilities (interest bearing debt)	–	1,703,683	–	152,299	279,839	–	2,135,823	839,974	2,975,797
Other items									
Depreciation	85,553	192,968	35,389	14,034	32,227	950	361,124	14,973	376,097
Amortization of goodwill	–	108,756	3,098	462	381	–	112,700	–	112,700
Investment in associates accounted for using the equity method	9,801	8,072	7,721	12,059	933	4,217	42,806	–	42,806
Impairment loss	8,918	9,816	15,589	13,331	78	92	47,826	1,124	48,950
Net increase in property and equipment, and intangible assets	88,873	188,641	51,921	17,360	30,851	468	378,115	38,250	416,366

Notes:
1. The adjustments of (67,432) million yen for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
2. The adjustments of 126,685 million yen for segment assets are eliminations of intersegment transactions and corporate assets.
3. The adjustments of 839,974 million yen for segment liabilities are corporate liabilities and the Company's bonds. The amount of each segment liability does not include intersegment transactions.
4. The adjustments of 14,973 million yen for depreciation are depreciation for corporate assets.
5. The adjustments of 38,250 million yen for net increase in property and equipment, and intangible assets, are eliminations of intersegment transactions and net increase in corporate assets.
6. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.
7. 5,530 million yen out of "Impairment loss" in the table above is included in "Restructuring expenses" in consolidated statements of income for the fiscal year ended February 28, 2023.

Application of Accounting Standard for Revenue Recognition, etc.

As described in “Changes in accounting policies”, “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations are applied from the beginning of the fiscal year ended February 28, 2023. Due to the change in the accounting method for revenue recognition, the method of calculating income or loss for operating segments has been changed.

As a result of this change, compared with the previous method, for the fiscal year ended February 28, 2023, revenues from operations in “Domestic convenience store operations” decreased by 31,024 million yen, and segment income increased by 395 million yen; revenues from operations in “Superstore operations” decreased by 326,720 million yen, and segment income decreased by 548 million yen; revenues from operations in “Department and specialty store operations” decreased by 316,699 million yen, and segment income increased by 58 million yen; revenues from operations in “Financial services” decreased by 12,639 million yen, and segment income increased by 838 million yen; and the impact on “Others” was negligible. There was no impact on revenues from operations or segment income in “Overseas convenience store operations.”

(Reference)

Revenues from operations and operating income by geographic area segments are as described below.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
Customers	2,915,035	8,824,367	71,900	11,811,303	–	11,811,303
Intersegment	15,676	532	90	16,299	(16,299)	–
Total revenues	2,930,711	8,824,900	71,990	11,827,602	(16,299)	11,811,303
Operating income (loss)	235,110	287,265	(1,355)	521,021	(14,499)	506,521

Notes: 1. The classification of geographic area segments is determined according to geographical distances.

2. “Others” consist of the business results in the China, etc.

Related Information

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

1. Information on products and services

Information is omitted since it is described in the segment information.

2. Information by region

(1) Revenues from operations

(Millions of yen)

Japan	North America [of which, the U.S.]	Others	Total
3,467,722	5,169,616 [4,893,774]	112,413	8,749,752

(2) Property and equipment

(Millions of yen)

Japan	North America [of which, the U.S.]	Others	Total
1,457,749	1,755,359 [1,692,085]	19,238	3,232,347

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the consolidated statements of income.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

1. Information on products and services

Information is omitted since it is described in the segment information.

2. Information by region

(1) Revenues from operations

(Millions of yen)

Japan	North America [of which, the U.S.]	Others	Total
2,915,035	8,824,367 [8,461,448]	71,900	11,811,303

(2) Property and equipment

(Millions of yen)

Japan	North America [of which, the U.S.]	Others	Total
1,432,104	2,869,010 [2,781,997]	40,634	4,341,750

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the consolidated statements of income.

Information Regarding Impairment Loss on Non-current Assets by Reportable Segment

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

Information is omitted since it is described in the segment information.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

Information is omitted since it is described in the segment information.

Information on Amortization and Outstanding Balance of Goodwill by Reportable Segment

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

Goodwill

(Millions of yen)

	Reportable segment						Total	Elimi-na-tions/ Corpo-rate	Consoli-dated total
	Domestic conve-nience store opera-tions	Overseas conve-nience store operations	Super-store opera-tions	Depart-ment and specialty store opera-tions	Financial services	Others			
Amorti-zation	–	67,355	3,098	462	359	–	71,276	–	71,276
Balance at the end of current year	2,229	1,719,693	14,032	2,413	3,262	–	1,741,632	–	1,741,632

Negative goodwill

(Millions of yen)

	Reportable segment						Total	Elimi-na-tions/ Corpor ate	Consoli-dated total
	Domestic conve-nience store opera-tions	Overseas conve-nience store operations	Super-store opera-tions	Depart-ment and specialty store opera-tions	Financial services	Others			
Amorti-zation	–	–	23	4	–	–	27	–	27
Balance at the end of current year	–	–	23	4	–	–	27	–	27

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

Goodwill

(Millions of yen)

	Reportable segment						Total	Eliminations/ Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Amortization	–	108,756	3,098	462	381	–	112,700	–	112,700
Balance at the end of current year	2,529	1,894,266	10,929	1,960	3,331	–	1,913,017	–	1,913,017

Negative goodwill

(Millions of yen)

	Reportable segment						Total	Eliminations/ Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Amortization	–	–	23	4	–	–	27	–	27
Balance at the end of current year	–	–	–	–	–	–	–	–	–

Information Regarding Gain on Negative Goodwill by Reportable Segment

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

None

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

None

Related Parties Transactions

1. Transactions with related parties

(1) Transactions between the Company and related parties

(a) Unconsolidated subsidiaries and affiliates

None

(b) A director of the Company and primary shareholders (limited to individuals)

None

2. Notes about the parent company and the important affiliates

None

Per Share Information

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Owners' equity per share	3,375.50 yen	3,933.93 yen
Net income per share	238.68 yen	318.14 yen
Diluted net income per share	238.68 yen	318.13 yen

Notes: 1. As described in "V. Financial Information 1. Consolidated financial statements and other Information, (1) Consolidated Financial Statements, Note: Changes in accounting policies, the Company has applied the "Accounting Standard for Revenue Recognition" and relevant revised ASBJ regulations and is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share for the fiscal year ended February 28, 2023 decreased by ¥12.78, and net income per share and diluted net income per share increased by ¥0.74 respectively.

2. Basis for calculation of net income per share and diluted net income per share is as follows:

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Net income attributable to owners of parent on the consolidated statements of income(millions of yen)	210,774	280,976
Amount not attributable to owners of ordinary shares (millions of yen)	–	–
Net income attributable to owners of ordinary shares of parent (millions of yen)	210,774	280,976
Average number of ordinary shares outstanding during the period (thousands of shares)	883,065	883,189
Adjustments to net income attributable to owners of parent which is used for calculating diluted net income per share (millions of yen)		
Net income attributable to non-controlling interests	–	–
Adjustments to net income attributable to owners of parent (millions of yen)	–	–
Number of ordinary shares increased used for calculating the diluted net income per share (thousands of shares)		
Subscription rights to shares (thousands of shares)	14	12
Number of ordinary shares increased (thousands of shares)	14	12

Note: As the Company has introduced the BIP Trust and the ESOP Trust, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the average number of shares during the period, to calculate net income per share and diluted net income per share. The average number of shares of treasury stock during the period deducted for the computation is 1,522 thousand shares for the fiscal year ended February 28, 2022 and 1,395 thousand shares for the fiscal year ended February 28, 2023.

3. Basis for calculation of owner's equity per share is as follows:

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Total net assets (millions of yen)	3,147,732	3,648,161
Amounts subtracted from total net assets (millions of yen)	166,776	173,614
[Subscription rights to shares] (millions of yen)	[56]	[49]
[Net income attributable to non-controlling interests] (millions of yen)	[166,719]	[173,565]
Owners' equity for ordinary shares at the end of period (millions of yen)	2,980,956	3,474,547
Number of ordinary shares at the end of period used for calculating the amounts of owner's equity per share (thousands of shares)	883,116	883,224

Note: As the Company has introduced the BIP Trust and the ESOP Trust, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the total number of shares outstanding at the end of period, to calculate owners' equity per share. The total number of shares of treasury stock at the end of period deducted for the computation is 1,469 thousand shares as of February 28, 2022 and 1,358 thousand shares as of February 28, 2023.

Subsequent Event

Changes in classification of reportable segments

At a meeting of the Board of Directors held on April 6, 2023, the Company resolved to change the classification of operating segments. The details of the change in the segment classification due to this change are as follows.

1. “Department and specialty store operations” is classified as “Others” operating segment.
2. A part of the "Superstore operations" (Peace Deli Co., Ltd.) is classified as "Others" operating segment as a group functional company.

Based on the revised segment classification, revenues from operations and segment income or loss by reportable segments in the fiscal year ended February 28, 2023 would be as follows.

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

Information on revenues from operations and income (loss) by reportable segments

(Millions of yen)

	Reportable segment				Others	Total	Adjust-ments (Note 1)	Consoli-dated total (Note 2)
	Domestic conve-nience store operations	Overseas conve-nience store operations	Superstore operations	Financial services				
Revenues from operations								
Customers	888,216	8,843,366	1,444,627	164,898	469,632	11,810,741	561	11,811,303
Intersegment	2,077	2,797	4,538	29,397	18,671	57,482	(57,482)	–
Total	890,293	8,846,163	1,449,165	194,295	488,304	11,868,223	(56,920)	11,811,303
Segment income (loss)	232,033	289,703	12,395	37,140	2,593	573,865	(67,344)	506,521

Note: 1. The adjustments of (67,344) million yen for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.

2. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.

(v) Annexed Consolidated Detailed Schedules

Consolidated Detailed Schedule of Corporate Bonds

Company name	Issue name	Date of issuance	Balance at March 1, 2022 (Millions of yen)	Balance at February 28, 2023 (Millions of yen)	Interest rate (%)	Secured/ un-secured	Maturity
Seven & i Holdings Co., Ltd.	(JPY) 9th Unsecured straight bonds	Apr. 26, 2013	20,000	20,000 (20,000)	0.671	Un-secured	Mar. 20, 2023
Seven & i Holdings Co., Ltd.	(JPY) 11th Unsecured straight bonds	June 17, 2015	60,000 (60,000)	–	0.514	Un-secured	June 20, 2022
Seven & i Holdings Co., Ltd.	(JPY) 12th Unsecured straight bonds	June 17, 2015	30,000	30,000	0.781	Un-secured	June 20, 2025
Seven & i Holdings Co., Ltd.	(JPY) 13th Unsecured straight bonds	Dec. 14, 2020	130,000	130,000 (130,000)	0.060	Un-secured	Dec. 20, 2023
Seven & i Holdings Co., Ltd.	(JPY) 14th Unsecured straight bonds	Dec. 14, 2020	180,000	180,000	0.190	Un-secured	Dec. 19, 2025
Seven & i Holdings Co., Ltd.	(JPY) 15th Unsecured straight bonds	Dec. 14, 2020	40,000	40,000	0.280	Un-secured	Dec. 20, 2027
7-Eleven, Inc.	(USD) Mature in 2023 Unsecured straight bonds	Feb. 10, 2021	143,320 [$1,246 million]	165,823 [$1,249 million] (165,823)	0.625	Un-secured	Feb. 10, 2023
7-Eleven, Inc.	(USD) Mature in 2024 Unsecured straight bonds	Feb. 10, 2021	257,574 [$2,239 million]	297,830 [$2,244 million]	0.800	Un-secured	Feb. 10, 2024

Company name	Issue name	Date of issuance	Balance at March 1, 2022 (Millions of yen)	Balance at February 28, 2023 (Millions of yen)	Interest rate (%)	Secured/ un-secured	Maturity
7-Eleven, Inc.	(USD) Mature in 2026 Unsecured straight bonds	Feb. 10, 2021	142,619 [$1,239 million]	164,860 [$1,242 million]	0.950	Un-secured	Feb. 10, 2026
7-Eleven, Inc.	(USD) Mature in 2028 Unsecured straight bonds	Feb. 10, 2021	113,936 [$990 million]	131,646 [$992 million]	1.300	Un-secured	Feb. 10, 2028
7-Eleven, Inc.	(USD) Mature in 2031 Unsecured straight bonds	Feb. 10, 2021	194,025 [$1,686 million]	224,026 [$1,688 million]	1.800	Un-secured	Feb. 10, 2031
7-Eleven, Inc.	(USD) Mature in 2041 Unsecured straight bonds	Feb. 10, 2021	84,620 [$735 million]	97,705 [$736 million]	2.500	Un-secured	Feb. 10, 2041
7-Eleven, Inc.	(USD) Mature in 2051 Unsecured straight bonds	Feb. 10, 2021	141,809 [$1,232 million]	163,658 [$1,233 million]	2.800	Un-secured	Feb. 10, 2051
Seven Bank, Ltd.	(JPY) 10th Unsecured straight bonds	Mar. 7, 2013	20,000	20,000 (20,000)	0.803	Un-secured	Mar. 20, 2023
Seven Bank, Ltd.	(JPY) 11th Unsecured straight bonds	Dec. 17, 2014	15,000	15,000	0.536	Un-secured	Dec. 20, 2024
Seven Bank, Ltd.	(JPY) 12th Unsecured straight bonds	Oct. 20, 2017	30,000	30,000	0.390	Un-secured	Sept. 17, 2027
Seven Bank, Ltd.	(JPY) 13th Unsecured straight bonds	Jan. 25, 2019	20,000	20,000 (20,000)	0.160	Un-secured	Dec. 20, 2023
Seven Bank, Ltd.	(JPY) 14th Unsecured straight bonds	Jan. 25, 2019	20,000	20,000	0.385	Un-secured	Dec. 20, 2028
Total		–	1,642,906 (60,000)	1,750,551 (355,823)	–	–	–

Note:
1. The figures shown in round brackets ( ) represent the amount to be redeemed within one year.
2. The figures shown in square brackets [ ] represent the amount denominated in U.S. dollars.
3. If the consolidated fiscal year end and the fiscal year end of consolidated subsidiaries are different, bonds with the maturity date before the consolidated fiscal year end are included.

4. The scheduled amount of redemption of bonds within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
355,823	312,830	210,000	164,860	70,000

Consolidated Detailed Schedule of Borrowings

Category	Balance at March 1, 2022 (Millions of yen)	Balance at February 28, 2023 (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans	140,146	143,568	0.77	–
Current portion of long-term loans	121,280	145,605	1.48	–
Current portion of lease obligations	20,409	22,557	–	–
Long-term loans (excluding current portion)	994,399	936,070	3.36	2024-2031
Lease obligations (excluding current portion)	36,527	56,594	–	2024-2041
Total	1,312,764	1,304,396	–	–

Note: 1. Average interest rate represents weighted average interest rate with respect to the ending balance of borrowings.

2. The Balance of lease obligations excludes lease obligations posted according to the adoption of ASU No. 2016-02, Leases (Topic 842) by foreign subsidiaries who adopted US GAAP from the beginning of the year ended February 28, 2023 because they have no burden of interest.

3. The average interest rate of lease obligations is not provided, since lease obligations are recorded in the amount before deduction of the amount equivalent to interest included in the lease payments in the consolidated balance sheets.

4. The repayment schedule of long-term loans and lease obligations (excluding current portion) within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Category	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Long-term loans	177,116	238,577	113,057	196,913
Lease obligations	8,991	8,009	6,770	5,356
Total	186,108	246,586	119,827	202,269

Consolidated Detailed Schedule of Asset Retirement Obligations

The consolidated detailed schedule of asset retirement obligations is omitted, as matters to be provided in the detailed schedule are stated as notes set forth in Article 15-23 of the Regulations on Consolidated Financial Statements.

(2) Other Information

Quarterly information for the fiscal year ended February 28, 2023

Cumulative period	Three months ended May 31, 2022	Six months ended August 31, 2022	Nine months ended November 30, 2022	Fiscal year ended February 28, 2023
Revenues from operations (Millions of yen)	2,447,317	5,651,505	8,823,781	11,811,303
Income before income taxes (Millions of yen)	94,203	198,447	337,788	402,761
Net income attributable to owners of parent (Millions of yen)	65,039	136,089	234,708	280,976
Net income per share (Yen)	73.65	154.09	265.75	318.14

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	73.65	80.45	111.66	52.39

2. [Nonconsolidated financial statements and other information]

(1) Nonconsolidated Financial Statements

(i) Nonconsolidated Balance Sheets

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
ASSETS		
Current assets		
Cash and bank deposits	* 811	* 918
Prepaid expenses	1,018	* 2,836
Accounts receivable, other	* 37,057	* 40,494
Income taxes receivable	–	18,367
Deposits held by subsidiaries and affiliates	5,761	5,943
Other	* 1,435	* 1,402
Total current assets	46,085	69,962
Non-current assets		
Property and equipment		
Buildings and structures	2,553	2,569
Fixtures, equipment and vehicles	2,310	2,198
Land	2,712	2,712
Lease assets	219	899
Construction in progress	5,230	13,167
Total property and equipment	13,026	21,547
Intangible assets		
Software	21,831	29,006
Software in progress	22,457	32,928
Lease assets	24,892	20,021
Other	5	4
Total intangible assets	69,186	81,961
Investments and other assets		
Investments in securities	37,329	39,483
Stocks of subsidiaries and affiliates	2,373,222	2,359,003
Prepaid pension cost	1,685	1,970
Long-term leasehold deposits	3,943	4,233
Deposits paid in subsidiaries and affiliates	10,000	10,000
Other	6,109	5,370
Total investments and other assets	2,432,290	2,420,061
Total non-current assets	2,514,503	2,523,569
Deferred assets		
Bond issuance costs	492	332
Total deferred assets	492	332
TOTAL ASSETS	2,561,080	2,593,865

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
LIABILITIES		
Current liabilities		
Current portion of bonds	60,000	150,000
Short-term loans from subsidiaries and affiliates	106,505	154,006
Current portion of long-term loans	41,000	41,000
Lease obligations	* 6,140	* 5,859
Accounts payable, other	* 11,742	* 15,482
Accrued expenses	* 934	* 1,027
Income taxes payable	3,781	1,644
Advance received	* 237	* 241
Allowance for bonuses to employees	561	647
Allowance for bonuses to Directors and Audit & Supervisory Board Members	49	141
Other	949	1,445
Total current liabilities	231,902	371,496
Non-current liabilities		
Bonds	400,000	250,000
Long-term loans	439,974	398,974
Long-term loans from subsidiaries and affiliates	11	6
Lease obligations	* 21,544	* 17,271
Allowance for stock payments	2,063	2,040
Provision for loss on guarantees	34,983	33,286
Deposits paid in subsidiaries	2,867	2,702
Deposits received from tenants	* 2,180	* 2,223
Deferred income taxes	3,705	3,759
Other	729	539
Total non-current liabilities	908,060	710,804
TOTAL LIABILITIES	1,139,962	1,082,301

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
NET ASSETS		
Shareholders' equity		
Common stock	50,000	50,000
Capital surplus		
Additional paid-in capital	875,496	875,496
Other capital surplus	357,400	357,401
Total capital surplus	1,232,897	1,232,897
Retained earnings		
Other retained earnings		
Retained earnings brought forward	137,037	227,007
Total retained earnings	137,037	227,007
Treasury stock, at cost	(10,235)	(9,825)
Total shareholders' equity	1,409,699	1,500,079
Accumulated gains (losses) from valuation and translation adjustments		
Unrealized gains (losses) on available-for-sale securities, net of taxes	11,360	11,435
Total accumulated gains (losses) from valuation and translation adjustments	11,360	11,435
Subscription rights to shares	56	49
TOTAL NET ASSETS	1,421,117	1,511,564
TOTAL LIABILITIES AND NET ASSETS	2,561,080	2,593,865

(ii) Nonconsolidated Statements of Income

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Revenues from operations		
Dividend income	*1 145,014	*1 241,026
Management consulting fee income	*1 4,711	*1 4,573
Commission fee income	*1 2,333	*1 2,277
Other	*1 148	*1 591
Total revenues from operations	152,208	248,468
General and administrative expenses	*1,*2 49,490	*1,*2 72,010
Operating income	102,717	176,457
Non-operating income		
Interest income	*1 113	*1 113
Dividend income	386	444
Gain on investments in investment partnerships	288	–
Other	34	55
Total non-operating income	823	614
Non-operating expenses		
Interest expenses	*1 1,457	*1 2,121
Interest on bonds	1,244	995
Other	159	298
Total non-operating expenses	2,860	3,415
Ordinary income	100,680	173,656
Special gains		
Gain on sales of stocks of subsidiaries and affiliates	4,171	0
Consolidated tax payment individual attribution adjustment amount	*1 13,828	*1 11,788
Other	40	276
Total special gains	18,039	12,064
Special losses		
Loss on disposals of property and equipment	42	11
Impairment loss	400	1,124
Loss on valuation of stocks of subsidiaries and affiliates	*3 14,501	*3 15,113
Provision for loss on guarantees	*1 2,507	–
Loss related to novel coronavirus (COVID-19)	1	–
Other	*1 1,276	*1 4,584
Total special losses	18,730	20,833
Income before income taxes	99,989	164,887
Income taxes - current	(8,018)	(14,921)
Income taxes - deferred	898	28
Total income taxes	(7,119)	(14,893)
Net income	107,109	179,780

(iii) Nonconsolidated Statements of Changes in Net Assets

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at March 1, 2021	50,000	875,496	369,774	1,245,271	117,504	117,504
Increase (decrease) for the year						
Cash dividends					(87,576)	(87,576)
Net income					107,109	107,109
Decrease by corporate division			(12,373)	(12,373)		
Purchase of treasury stock						
Disposal of treasury stock			0	0		
Net changes of items other than shareholders' equity						
Net increase (decrease) for the year	–	–	(12,373)	(12,373)	19,532	19,532
Balance at February 28, 2022	50,000	875,496	357,400	1,232,897	137,037	137,037

	Shareholders' equity		Accumulated gains (losses) from valuation and translation adjustments		Subscription rights to shares	TOTAL NET ASSETS
	Treasury stock, at cost	Total share-holders' equity	Unrealized gains (losses) on available-for-sale securities, net of taxes	Total accumu-lated gains (losses) from valuation and translation adjustments		
Balance at March 1, 2021	(10,804)	1,401,971	10,999	10,999	56	1,413,027
Increase (decrease) for the year						
Cash dividends		(87,576)				(87,576)
Net income		107,109				107,109
Decrease by corporate division		(12,373)				(12,373)
Purchase of treasury stock	(22)	(22)				(22)
Disposal of treasury stock	591	592				592
Net changes of items other than shareholders' equity			361	361	–	361
Net increase (decrease) for the year	569	7,728	361	361	–	8,090
Balance at February 28, 2022	(10,235)	1,409,699	11,360	11,360	56	1,421,117

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at March 1, 2022	50,000	875,496	357,400	1,232,897	137,037	137,037
Cumulative effects of changes in accounting policies					(23)	(23)
Balance at March 1, 2022 (as restated)	50,000	875,496	357,400	1,232,897	137,014	137,014
Increase (decrease) for the year						
Cash dividends					(89,787)	(89,787)
Net income					179,780	179,780
Purchase of treasury stock						
Disposal of treasury stock			0	0		
Net changes of items other than shareholders' equity						
Net increase (decrease) for the year	–	–	0	0	89,993	89,993
Balance at February 28, 2023	50,000	875,496	357,401	1,232,897	227,007	227,007

	Shareholders' equity		Accumulated gains (losses) from valuation and translation adjustments		Subscription rights to shares	TOTAL NET ASSETS
	Treasury stock, at cost	Total share-holders' equity	Unrealized gains (losses) on available-for-sale securities, net of taxes	Total accumu-lated gains (losses) from valuation and translation adjustments		
Balance at March 1, 2022	(10,235)	1,409,699	11,360	11,360	56	1,421,117
Cumulative effects of changes in accounting policies		(23)				(23)
Balance at March 1, 2022 (as restated)	(10,235)	1,409,676	11,360	11,360	56	1,421,094
Increase (decrease) for the year						
Cash dividends		(89,787)				(89,787)
Net income		179,780				179,780
Purchase of treasury stock	(16)	(16)				(16)
Disposal of treasury stock	425	425				425
Net changes of items other than shareholders' equity			74	74	(7)	66
Net increase (decrease) for the year	409	90,402	74	74	(7)	90,469
Balance at February 28, 2023	(9,825)	1,500,079	11,435	11,435	49	1,511,564

Notes to Nonconsolidated Financial Statements

Significant Accounting Policies

1. Valuation basis and method for securities

   (1) Stocks of subsidiaries and affiliates

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

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

   Securities other than unmarketable shares, etc.

   Market value method (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 securities sold is determined using the moving-average method) is used.

   Unmarketable shares, etc.

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

   (3) Valuation basis and method for derivatives

   Derivative financial instruments are valued at fair value.

2. Methods of depreciation for non-current assets

   (1) Property and equipment (Excluding Lease assets)

   Property and equipment are depreciated using the straight-line method.

   (2) Intangible assets (Excluding Lease assets)

   Intangible assets are amortized using the straight-line method. Internal use software is amortized using the straight-line method over an estimated useful life of 5 years.

   (3) Lease assets

   Lease assets in finance leases which do not transfer ownership of leased property to the lessee

   These assets are amortized using the straight-line method with no residual value over the lease period which is treated as the expected lifetime.

3. Accounting for deferred assets

   Bond issuance costs

   All costs are expensed when paid. However, when cost is recorded as deferred asset, it is amortized using the straight-line method over a redemption period of the bond.

4. Methods of accounting for allowances

   (1) Allowance for bonuses to employees

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

   (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 estimated to be paid.

   (3) Allowance for stock payments

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

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

   Allowance for accrued pension and severance costs is provided to prepare for payments of retirement benefits to employees. The amount is based on the estimated retirement benefit obligation and the estimated pension plan assets at the end of the fiscal year.

   (i) Allocation method of estimated total retirement benefits

   In calculating retirement benefit obligations, the estimated total retirement benefit obligation is allocated to the period up to the end of the fiscal year on a benefit formula basis.

   (ii) Amortization of actuarial gains and losses

   The amount of actuarial differences is amortized on a straight-line basis over a period of 10 years from the year following the year in which they arise, which is within the average remaining years of service of the eligible employees.

   (5) Provision for loss on guarantees

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

5. Accounting standard for recognition of revenues and expenses

   Revenues of the Company as a holding company are mainly management fees, commission fees and dividend income from subsidiaries. The Company’s performance obligation is to provide subsidiaries with commissioned business according to the contract. Management fees and commission fees from subsidiaries are recognized when its performance obligation is satisfied. Dividend income is recognized on the effective date of dividend.

6. Hedge accounting

   (1) Method of hedge accounting

   In principle, hedging activities are accounted for by the deferred hedge method. The forward foreign exchange contracts are accounted for by the designated accounting treatment when they meet certain criteria for that. The Company applies integral accounting treatment (specific accounting treatment, designated accounting treatment) to interest rate and currency swap contracts that meet the requirements of integral accounting treatment.

(2) Hedge instruments and hedged items

Hedge instruments – Interest rate and currency swap

Hedged items – Foreign currency-denominated loans

(3) Hedging policies

The Company has policies to utilize derivative instruments for the purposes of hedging its exposure to fluctuations in foreign currency 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

Comparing the fluctuation of the hedged items with that of hedging instruments quarterly, we assess the hedge effectiveness based on changes in both. Interest and currency swaps that are accounted for using integral accounting treatment, the assessment of effectiveness is omitted.

7. Other significant items that form the basis of the preparation of nonconsolidated 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) Application of Consolidated Taxation System

The Company has applied the consolidated taxation system.

(3) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company is scheduled to shift from the consolidated taxation system to the Group Tax Sharing System from the fiscal year ending February 29, 2024. With respect to items subject to the review of the Non-Consolidated Taxation System conducted to correspond with the transition from the Consolidated Taxation System to the Group Tax Sharing System, which was established under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company has not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued on February 16, 2018) in accordance with the treatment set out in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39 issued on March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

From the beginning of the next fiscal year ending February 29, 2024, we plan to adopt “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021) that stipulates the accounting treatment and handling of disclosure of corporation tax, local corporation tax and tax effect accounting in the case of applying the Group Tax Sharing System.

Significant Accounting Estimates

As of February 28, 2022

Accounting estimates are based on reasonable amounts based on information available at the time of preparation of the nonconsolidated financial statements. Accounting estimates in the items recorded in the nonconsolidated financial statements for fiscal year ended February 28, 2022 whose amounts are based on accounting estimates and that have the risk of significantly impacting the nonconsolidated financial statements for the following fiscal year are as follows:

Valuation of stocks of subsidiaries and affiliates

(1) Amounts recorded in the financial statements for the current fiscal year

Stocks of subsidiaries whose fair values are deemed extremely difficult to determine	2,366,774 million yen
Stocks of affiliated companies whose fair values are deemed extremely difficult to determine	4,946 million yen
Loss on valuation of stocks of subsidiaries and affiliates	14,501 million yen

(2) Information on the content of significant accounting estimates for identified items

An impairment loss is recognized for stocks of subsidiaries and affiliates for which fair values are very difficult to determine, when their substantive value, which is calculated by multiplying the amount of net assets per share by the number of shares held, declines significantly due to deterioration in the financial condition of the company issuing the shares, unless there is sufficient persuasive evidence to support a subsequent recovery.

In the current fiscal year, there are no stocks of subsidiaries and affiliates whose fair values are deemed extremely difficult to determine whose substantive value has declined significantly but for which no impairment loss has been recognized.

As of February 28, 2023

Accounting estimates are based on reasonable amounts based on information available at the time of preparation of the nonconsolidated financial statements.

Accounting estimates in the items recorded in the nonconsolidated financial statements for fiscal year ended February 28, 2023 whose amounts are based on accounting estimates and that have the risk of significantly impacting the nonconsolidated financial statements for the following fiscal year are as follows:

Valuation of stocks of subsidiaries and affiliates

(1) Amounts recorded in the financial statements for the current fiscal year

Unmarketable stocks of subsidiaries	2,352,554 million yen
Unmarketable stocks of affiliates	4,946 million yen
Loss on valuation of stocks of subsidiaries and affiliates	15,113 million yen

(2) Information on the content of significant accounting estimates for identified items

An impairment loss is recognized for unmarketable stocks of subsidiaries and affiliates, when their substantive value, which is calculated by multiplying the amount of net assets per share by the number of shares held, declines significantly due to deterioration in the financial condition of the company issuing the shares, unless there is sufficient persuasive evidence to support a subsequent recovery.

In the current fiscal year, there are no unmarketable stocks of subsidiaries and affiliates whose substantive value has declined significantly but for which no impairment loss has been recognized.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020, hereinafter the “Accounting Standard for Revenue Recognition”) and relevant revised ASBJ regulations are applied from the beginning of the fiscal year ended February 28, 2023, it has recognized revenue at the time the control promised goods or services is transferred to customers at the amount that is expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended February 28, 2023 was added to or deducted from the opening balance of retained earnings of the fiscal year ended February 28, 2023, and thus the new accounting policy was applied from such opening balance.

The impact of this change on retained earnings at the beginning of the fiscal year, operating income, ordinary income, and income before income taxes for the fiscal year ended February 28, 2023 is immaterial.

In addition, impact on net assets per share and net income per share was minor.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the fiscal year ended February 28, 2023, and it has applied the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc., prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the Financial Statements of the fiscal year ended February 28, 2023.

Supplementary Information

Transfer of Subsidiary Shares

The Company has resolved to enter into an agreement (the “Agreement”) to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to a special purpose company, which is a related entity of Fortress Investment Group LLC, Sugi Godo Kaisha (the “Transferee Company”) (the “Transfer”) and entered into the Agreement on November 11, 2022. The Transfer should meet the certain conditions for the execution. At the present moment, it is under negotiation and the Company does not reflect accounting treatments based on assumption of the Transfer execution.

If the progress of negotiations toward the execution of the Transfer is expected to satisfy specified conditions, accounting treatment is required, such as the recording of an allowance for share transfers.

At the time of preparation of the financial statements, the Transfer is still under negotiation to satisfy the specified conditions for execution of the transaction, and the above accounting has not been conducted. In the event that specified conditions are satisfied in the following fiscal year and this transfer is executed, the financial statements for the following fiscal year may be materially affected by reflecting the above accounting treatment.

Performance-Based Stock Compensation Plan for Directors and Executive Officers

The Company has introduced a performance-based stock-based compensation plan for the Company’s Directors (excluding non-executive Directors and Directors residing overseas) and executive officers (excluding executive officers residing overseas). An overview of the plan is described in “Supplementary Information” under “V. Financial Information, 1. Consolidated financial statements and other information, (1) Notes to Consolidated Financial Statements.”

Nonconsolidated Balance Sheets

* Monetary claims and monetary obligations in regard to subsidiaries and affiliates (excluding items listed elsewhere) are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Short-term receivables	32,231	35,651
Short-term payables	9,418	9,214
Long-term payables	23,683	19,457

Nonconsolidated Statements of Income

*1. Transaction amounts with subsidiaries and affiliates are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Operating transactions		
Revenues from operations	152,082	247,903
General and administrative expenses	6,936	10,344
Non-operating transactions	17,975	17,807

*2. Main components and amounts of general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)
Salaries and wages	6,593	7,717
Provision for bonuses to employees	561	647
Pension expenses	86	173
Depreciation and amortization	3,952	8,349
Commissions paid	5,693	8,261
Electronical data processing expenses	22,244	33,742

*3. Loss on valuation of stocks of subsidiaries and affiliates

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

The Company recorded 14,501 million yen of loss on valuation of stocks of subsidiaries and affiliates (mainly 12,708 million yen and 1,785 million yen on Seven & i Food Systems Co., Ltd. and Barneys Japan Co., Ltd., respectively).

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

The Company recorded 15,113 million yen of loss on valuation of stocks of subsidiaries and affiliates (mainly 14,257 million yen and 855 million yen on Sogo & Seibu Co., Ltd., and SHELL GARDEN CO., LTD., respectively).

Securities

Stocks of subsidiaries and affiliates

As of February 28, 2022

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Stocks of affiliates	1,501	4,538	3,036
Total	1,501	4,538	3,036

Note: Balance sheet amount of stocks of subsidiaries and affiliates whose fair values are deemed extremely difficult to determine

(Millions of yen)

Category	Fiscal year ended February 28, 2022
Stocks of subsidiaries	2,366,774
Stocks of subsidiaries and affiliates	4,946

Since these shares do not have market prices, the fair value is deemed extremely difficult to determine. Therefore, they are not included in “Stocks of subsidiaries and affiliates” in the above table.

As of February 28, 2023

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Stocks of affiliates	1,501	4,418	2,916
Total	1,501	4,418	2,916

Note: Unmarketable stock, etc., excluded from the above table.

(Millions of yen)

Category	Fiscal year ended February 28, 2023
Stocks of subsidiaries	2,352,554
Stocks of subsidiaries and affiliates	4,946

Deferred Tax Accounting

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Deferred tax assets		
Allowance for bonuses to employees	197	273
Accrued enterprise taxes and business office taxes	26	94
Subscription rights to shares	17	15
Tax loss carried forward	6,245	9,519
Denial of impairment loss	1,202	668
Loss on valuation of stocks of subsidiaries and affiliates	86,612	91,240
Allowance for stock payments	567	517
Provision for loss on guarantees	10,713	10,194
Adjustment of gain/loss on transfer	–	348
Other	393	608
Subtotal (deferred tax assets)	105,977	113,480
Valuation allowance for tax loss carried forward	(6,245)	(9,519)
Valuation allowance for total deductible temporary differences, etc.	(97,905)	(102,069)
Subtotal (valuation allowance)	(104,151)	(111,588)
Total deferred tax assets	1,825	1,891
Deferred tax liabilities		
Prepaid pension cost	(516)	(603)
Unrealized gains (losses) on available-for-sale securities	(5,015)	(5,047)
Total deferred tax liabilities	(5,531)	(5,651)
Deferred tax assets (liabilities), net	(3,705)	(3,759)

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Fiscal year ended February 28, 2022 (Feb. 28, 2022)	Fiscal year ended February 28, 2023 (Feb. 28, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	4.6	2.8
Income not taxable permanently, such as dividend income	(49.0)	(46.8)
Change in valuation allowance	4.9	4.5
Expiration of tax loss brought forward	0.8	0.1
Other	1.0	(0.2)
Effective rate of income taxes after application of deferred tax accounting	(7.1)	(9.0)

Revenue Recognition

Basic information for understanding revenues from contracts with customers

It is described in “Significant Accounting Policies,” “5. Accounting standard for recognition of revenues and expenses.”

Subsequent Event

None

(iv) Annexed Nonconsolidated Detailed Schedules

Detailed Schedule of Property and Equipment and Others

(Millions of yen)

Category	Type of assets	Balance at March 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	Deprecia-tion and amortiza-tion in the fiscal year	Balance at February 28, 2023	Accumu-lated depreciation
Property and equipment	Buildings and structures	2,553	240	–	224	2,569	2,212
	Fixtures, equipment and vehicles	2,310	236	6	343	2,198	2,432
	Land	2,712	–	–	–	2,712	–
	Lease assets	219	822	–	143	899	639
	Construction in progress	5,230	8,224	287	–	13,167	–
	Total	13,026	9,524	293	710	21,547	5,284
Intangible assets	Software	21,831	19,798	4,986 [1,124]	7,637	29,006	–
	Software in progress	22,457	32,277	21,806	–	32,928	
	Lease assets	24,892	719	–	5,590	20,021	
	Other	5	–	–	0	4	
	Total	69,186	52,796	26,793 [1,124]	13,228	81,961	

Notes:
1. Major increase during the current fiscal year in "Buildings and structures" is related to renovation of Head Office building.
2. Major increase during the fiscal year in "Fixtures, equipment and vehicles" is related to PCs and networking equipment jointly used by Group companies.
3. Major increase during the current fiscal year in "Lease assets" is related to PCs jointly used by Group companies.
4. Major increase during the fiscal year in "Construction in progress" is related to construction work of facilities jointly used by Group companies.
5. Major increase during the current fiscal year in "Software" and "Software in progress" is related to development of software jointly used by Group companies, and major decrease during the current fiscal year in "Software" is related to its transfer to Group companies.
6. Major increase during the fiscal year in "Lease assets" is related to software jointly used by Group companies.
7. The figures shown in square brackets [ ] in "Decrease during the fiscal year" are included in the figures shown outside of round brackets, and represent the amount of impairment losses recorded.

Detailed Schedule of Allowances

(Millions of yen)

Account title	Balance at March 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	Balance at February 28, 2023
Allowance for bonuses to employees	561	647	561	647
Allowance for bonuses to Directors and Audit & Supervisory Board Members	49	141	49	141
Allowance for stock payments	2,063	238	261	2,040
Provision for loss on guarantees	34,983	834	2,530	33,286

(2) Components of Major Assets and Liabilities

Information is omitted as the consolidated financial statements have been prepared.

(3) Other Information

None

VI. [Administrative Information on the Company's Shares]

Fiscal year	From March 1 to the last day of February
Annual shareholders' meeting	May
Record date	The last day of February
Record dates for dividends from surplus	August 31 The last day of February
Number of shares constituting one unit	100 shares
Purchase or sale of shares less than one unit	
Office for handling business	(Special account) 4-5, 1-chome, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division
Shareholder register administrator	(Special account) 4-5, 1-chome, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	―――
Fee for purchase or sale	None
Method of public notice	Electronic public notice will be made; provided, however, that if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices may be given in "The Nikkei" newspaper. URL for public notice: https://www.7andi.com/ir/koukoku.html (in Japanese)
Special benefits for shareholders	None

Note: As provided for in the Company's Articles of Incorporation, a shareholder of the Company holding shares less than one unit may not exercise any rights other than the rights listed below with regard to shares less than one unit held by the shareholder:

(1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act;

(2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;

(3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and

(4) Right to request the Company to sell to the shareholder a number of shares which will, when combined with the number of shares already held by the shareholder, constitute one share unit.

VII. [Reference Information on the Company]

1. [Information on the parent company or equivalent of the company]

   The Company does not have a parent company or equivalent.

2. [Other reference information]

   From the beginning of the current fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

   (1) Registration Documents (Share Certificates, Bond Certificates) and their supplementary documents

   Filed to Director-General of the Kanto Local Finance Bureau on November 29, 2022

   (2) Amended Shelf Registration Statement

   Filed to Director-General of the Kanto Local Finance Bureau on January 25, 2023

   Filed to Director-General of the Kanto Local Finance Bureau on March 9, 2023

   Filed to Director-General of the Kanto Local Finance Bureau on March 30, 2023

   Filed to Director-General of the Kanto Local Finance Bureau on May 26, 2023

   (3) Annual Securities Report and Appendices, and Written Confirmation

   17th fiscal year from March 1, 2021 to February 28,2022 filed to Director-General of the Kanto Local Finance Bureau on May 27, 2022

   (4) Internal Control Report and Appendices

   Filed to Director-General of the Kanto Local Finance Bureau on May 27, 2022

   (5) Quarterly Securities Reports and Written Confirmations

   1Q of 18th fiscal year from March 1, 2022 to May 31, 2022 filed to Director-General of the Kanto Local Finance Bureau on July 14, 2022

   2Q of 18th fiscal year from June 1, 2022 to August 31, 2022 filed to Director-General of the Kanto Local Finance Bureau on October 14, 2022

   3Q of 18th fiscal year from September 1, 2022 to November 30, 2022 filed to Director-General of the Kanto Local Finance Bureau on January 13, 2023

   (6) Revised Quarterly Securities Reports and Written Confirmations

   Filed to Director-General of the Kanto Local Finance Bureau on October 24, 2022

   Revised quarterly securities report and written confirmations for the 2Q of the 18th fiscal year from June 1, 2022 to August 31, 2022

   (7) Extraordinary Securities Report

   Filed to Director-General of the Kanto Local Finance Bureau on June 1, 2022

   Extraordinary Securities Report based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.

   Filed to Director-General of the Kanto Local Finance Bureau on November 11, 2022

   Extraordinary Securities Report based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (iii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

   Filed to Director-General of the Kanto Local Finance Bureau on March 9, 2023

   Extraordinary Securities Report based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on May 26, 2023

Extraordinary Securities Report based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.

(8) Revised Extraordinary Securities Report

Filed to Director-General of the Kanto Local Finance Bureau on January 25, 2023

Revised report regarding the extraordinary securities report filed on November 11, 2022

Filed to Director-General of the Kanto Local Finance Bureau on March 30, 2023

Revised report regarding the extraordinary securities report filed on November 11, 2022 and the revised extraordinary securities report filed on January 25, 2023

Part II. [Information on Guarantors for the Company]

None

Independent Auditor's Audit Report and Internal Control Audit Report

May 26, 2023

Seven & i Holdings Co., Ltd.

To Board of Directors

KPMG AZSA LLC

Tokyo Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masahiko Chino
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masahiro Sasaki
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Daisuke Nakamura

<Audit of the Financial Statements>

Audit Opinion

Pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements, that is, the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, accounting policies for the preparation of consolidated financial statements, other notes and annexed consolidated detailed schedules, of Seven & i Holdings Co., Ltd. for the fiscal year from March 1, 2022 to February 28, 2023, which are provided in "Financial Information."

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position as of February 28, 2023 and business results and cash flow situation for the fiscal year ended February 28, 2023 of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Appropriateness of judgement of necessity of recognizing impairment losses on non-current assets of Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd.</td></tr>
<tr><td>Description of the Key Audit Matter and Reason for Determining the Matter</td><td>How We Addressed the Matter in Our Audit</td></tr>
<tr><td>In the consolidated balance sheet of Seven & i Holdings Co., Ltd. (hereinafter referred to as the “Company”) for the fiscal year ended February 28, 2023, property and equipment of ¥4,341,750 million and intangible assets of ¥2,364,673 million were recorded. As stated in Significant Accounting Estimates under Notes to Consolidated Financial Statements, of the above-mentioned amounts, property and equipment and intangible assets related to Ito-Yokado Co., Ltd. (hereinafter referred to as “Ito-Yokado”), which is included in the Superstore operations segment, were ¥318,474 million and ¥22,316 million, respectively, and property and equipment and intangible assets related to Sogo & Seibu Co., Ltd. (hereinafter referred to as “Sogo & Seibu”), which is included in the Department and specialty store operations segment, were ¥196,339 million and ¥71,241 million, respectively. Furthermore, in the fiscal year ended February 28, 2023, impairment losses of ¥10,559 million were recorded for Ito-Yokado’s stores, and impairment losses of ¥11,047 million were recorded for Sogo & Seibu’s stores.
In Ito-Yokado and Sogo & Seibu, the smallest unit that generates independent cash flows is mainly stores. If there is considered to be an indication of impairment on non-current assets of stores of each company, and if necessity of recognizing an impairment loss is judged by comparing the total amount of undiscounted future cash flows obtained from the non-current assets of stores with the book value, the book value shall be reduced to the recoverable value and the reduction amount shall be recorded as an impairment loss.
Ito-Yokado runs superstore operations and Sogo & Seibu conducts department store operations, and in the nature of their operations, the book value of non-current assets per store tends to be relatively large. In the fiscal year ended February 28, 2023, each company considered that there was an indication of impairment mainly in the following stores, and judged necessity of recognizing impairment losses.
・Stores which incurred consecutive operating losses
・Stores whose non-current assets had significantly declined in fair value
・Stores which made a decision to close the store
Although Ito-Yokado promotes closing unprofitable stores, optimizing the number of personnel, and improving productivity with the use of IT, there seemed to be an indication of impairment in multiple stores in the current fiscal year due to the significant impact of changes in external environments including surges in raw materials prices and energy costs.</td><td>We principally performed the following audit procedures to assess appropriateness of the judgment of necessity of recognizing impairment losses on non-current assets of Ito-Yokado and Sogo & Seibu.
(1) Assessment of internal control
We assessed effectiveness of the design and operation of internal control related to the judgment of necessity of recognizing impairment losses on non-current assets. A particular focus was placed on internal control to prevent or detect the use of any unreasonable assumptions that were not consistent with actual past results with regard to significant assumptions such as the sales growing rate, gross margin ratio and expected changes in expenses included in the future plan.
(2) Assessment of reasonableness of the estimate of undiscounted future cash flows
To assess whether major assumptions that serve as the basis for the estimate of undiscounted future cash flows are appropriate, we asked questions on the grounds to the management and mainly performed the following procedures.
・ Conducted comparative analysis between the business plan developed in the past fiscal years and actual figures, and assessed accuracy of the estimate.
・ As for sales growing rate, we examined reasonableness of the estimates based on talks with the management, etc., consistency with data from external third-party institutions, details of customer-attracting measures, etc., and effects of past similar measures.
・ As for the gross margin ratio, conducted analysis of consistency with changes in the assumed sales mix. In addition, as for effects of measures to improve gross margin, reasonableness of the estimate was examined based on actual effects of past similar measures.
・ As for expected changes in expenses, we examined reasonableness of the estimate based on actual effects of past similar measures, consistency with data from external third-party institutions, and comparison with past actual results.
・ Involved appraisal experts in our firm to examine reasonableness of the preconditions for the real estate appraisal obtained by the Company from external experts, valuation method employed, and process of judgment up to the determination of the appraisal.</td></tr>
</table>

Although Sogo & Seibu recorded an operating income in the current fiscal year, there seemed to be an indication of impairment in multiple stores due to the significant impact of changes in external environments including surges in purchase prices of merchandise and energy costs. The Company has signed a share transfer agreement with a third party for the transfer of the entire number of outstanding shares of Sogo & Seibu Co., Ltd. The estimate of undiscounted future cash flows used to judge the necessity of recognizing impairment losses was made, taking into account actual past results, changes in the external environment, business strategies, and other factors. Undiscounted future cash flows include significant assumptions such as the sales growing rate, gross margin ratio and expected changes in expenses. Future outlooks for the assumptions involve uncertainty, and the management's judgement on them has important impact on the estimate of undiscounted future cash flows. In addition, as for net selling prices, certain stores use the amount of real estate appraisal calculated by real estate appraisers, and this appraisal involves professional judgment. Therefore, we judged that appropriateness of the judgment of necessity of recognizing impairment losses on non-current assets of Ito-Yokado and Sogo & Seibu was of particular significance in the audit of the consolidated financial statements for the fiscal year ended February 28, 2023, and was one of "key audit matters."	

Other information

Other information is information in this Securities Report other than consolidated financial statements, non-consolidated financial statements and their audit report. The management is responsible for preparing and disclosing other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Group's reporting process of other information.

Other information is not subject to our audit opinions on consolidated financial statements, and we do not express our opinions on that.

We are responsible for reading through other information, and in the process of reading, we are responsible for examining if there is any significant difference between the other information and consolidated financial statements or our knowledge obtained in the audit process, and paying attention if there is an indication of any significant error in the other information other than such significant difference.

If we judge there is any significant error in the other information based on our audit procedures, we are required to report such fact.

We have nothing to report on the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of consolidated financial documents in accordance with corporate accounting standards generally accepted in Japan. This includes the development and implementation of internal control deemed necessary by the management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements due to fraud or error. Prepare and implement an audit plan addressing the risk of material misstatements. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Out of the matters we share in our cooperation with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that we judge as being of most significance in our audit of the consolidated financial statements for the fiscal year ended February 28, 2023 to be key audit matters, and we present those matters as such in our auditor's report. However, in cases where the disclosure of such matters are prohibited by laws, regulations, etc., or although very limited, in cases where it is our judgment that such matters should not be reported by us because it can be reasonably expected that the disadvantages that could arise from reporting them in our auditor's report would outweigh the public benefit from doing so, we don't present those matters.

<Audit of Internal Control>

Audit Opinion

Pursuant to Article 193-2, paragraph (2) of the Financial Instruments and Exchange Act, we have audited the Internal Control Report as of February 28, 2023 of Seven & i Holdings Co., Ltd.

In our opinion, the Internal Control Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as of February 28, 2023 is effective, presents fairly, in all material respects, the result of the management's assessment on internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

The management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements.

Auditor's Responsibilities for the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement, and to issue an internal control audit report that includes our opinion on the Internal Control Report based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the Internal Control Report. The procedures selected and applied depend on the auditor's judgment, including the significance of effects on the reliability of financial reporting.

- Evaluate the overall presentation of the Internal Control Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

- Obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, result of the internal control audit, any identified significant deficiencies in internal control which should be disclosed and the results of their remediation, and any other matters required by the auditing standards for internal control.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and the designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

Notes: 1. The original version of the Audit Report presented above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of audit.

Independent Auditor's Report (Translation)

May 26, 2023

Seven & i Holdings Co., Ltd.

To Board of Directors

KPMG AZSA LLC

Tokyo Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masahiko Chino
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masahiro Sasaki
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Daisuke Nakamura

Audit Opinion

Pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, we have audited the nonconsolidated financial statements, that is, the nonconsolidated balance sheets, nonconsolidated statements of income, nonconsolidated statements of changes in net assets, significant accounting policies, other notes and annexed nonconsolidated detailed schedules, of Seven & i Holdings Co., Ltd. for the 18th fiscal year from March 1, 2022 to February 28, 2023, which are provided in "Financial Information."

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position as of February 28, 2023 and business results for the fiscal year ended February 28, 2023 of Seven & i Holdings Co., Ltd. in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the nonconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of unmarketable stocks of subsidiaries and affiliates	
Description of the Key Audit Matter and Reason for Determining the Matter	How We Addressed the Matter in Our Audit
In the nonconsolidated balance sheets as of February 28, 2023, stocks of subsidiaries and affiliates of ¥2,359,003 million were recorded. As stated in Securities under Notes to Nonconsolidated Financial Statements, these amounts include ¥2,352,554 million of stocks of subsidiaries and ¥4,946 million of stocks of affiliates which are unmarketable shares, etc., as per ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” (hereinafter referred to as “unmarketable stocks of subsidiaries and affiliates”), and they account for 90.9% of total assets of ¥2,593,865 million. Moreover, in the fiscal year ended February 28, 2023, loss on valuation of stocks of subsidiaries and affiliates of ¥15,113 million was recorded. As stated in Significant Accounting Estimates under Notes to Nonconsolidated Financial Statements, for unmarketable stocks of subsidiaries and affiliates, acquisition cost is used as the book value. An impairment loss needs to be recognized, when their substantive value, which is calculated by multiplying the amount of net assets per share by the number of shares held, declines significantly due to deterioration in the financial condition of the company issuing the shares, unless there is sufficient persuasive evidence to support a subsequent recovery. In the fiscal year ended February 28, 2023, there are no unmarketable stocks of subsidiaries and affiliates whose substantive value has declined significantly but for which no impairment loss has been recognized, the recoverability of the substantive value has not become a problem. However, since Seven & i Holdings Co., Ltd. is a pure holding company, unmarketable stocks of subsidiaries and affiliates account for a major portion of its assets and their amount is material. Therefore, we judged that reasonableness of the valuation of unmarketable stocks of subsidiaries and affiliates was of particular significance in the audit of the nonconsolidated financial statements for the fiscal year ended February 28, 2023, and was one of “key audit matters.”	To examine reasonableness of the valuation of unmarketable stocks of subsidiaries and affiliates, we principally performed the following audit procedures. (1) Assessment of internal control We assessed effectiveness of the design and operation of internal control related to the valuation of unmarketable stocks of subsidiaries and affiliates. (2) Reasonableness of the valuation of unmarketable stocks of subsidiaries and affiliates ・ Understood the business environment of subsidiaries and affiliates through reviewing minutes of the Board of Directors’ meetings and asking questions to the management, and confirmed whether or not there is any subsidiary or affiliate who shows an indication of deterioration in the financial condition. ・ As for financial figures of significant subsidiaries, assessed credibility of the financial information based on the audit procedures performed by their auditor and results thereof. ・ To confirm accuracy of the substantive value used in the comparison with the book value, made a recalculation based on the net asset amount and the ratio of shareholdings of subsidiaries and affiliates. ・ Confirmed whether or not the substantive value had declined significantly, by making comparison examination between the book value of stocks of subsidiaries and affiliates and substantive value of subsidiaries and affiliates.

Other information

Other information is information in this Securities Report other than consolidated financial statements, non-consolidated financial statements and their audit report. The management is responsible for preparing and disclosing other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors’ performance of their duties including the design, implementation and maintenance of the Company’s financial reporting process of other information.

Other information is not subject to our audit opinions on financial statements, and we do not express our opinions on that.

We are responsible for reading through other information, and in the process of reading, we are responsible for examining if there is any significant difference between the other information and nonconsolidated financial statements or our knowledge obtained in the audit process, and paying attention if there is an indication of any error in the other information other than such significant difference.

If we judge there is any significant error in the other information based on our audit procedures, we are required to report such fact.

We have nothing to report on the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

The management is responsible for the preparation and fair presentation of financial documents in accordance with corporate accounting standards generally accepted in Japan. This includes the development and implementation of internal control deemed necessary by the management for the preparation and fair presentation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Company's ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the nonconsolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements due to fraud or error. Prepare and implement an audit plan addressing the risk of material misstatements. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the nonconsolidated financial statements is not to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the nonconsolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related notes to the nonconsolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the nonconsolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

・ Evaluate whether the presentation of the nonconsolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the nonconsolidated financial statements, including the related notes thereto, and whether the nonconsolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Out of the matters we share in our cooperation with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that we judge as being of most significance in our audit of the nonconsolidated financial statements for the fiscal year ended February 28, 2023 to be key audit matters, and we present those matters as such in our auditor’s report. However, in cases where the disclosure of such matters are prohibited by laws, regulations, etc., or although very limited, in cases where it is our judgment that such matters should not be reported by us because it can be reasonably expected that the disadvantages that could arise from reporting them in our auditor’s report would outweigh the public benefit from doing so, we don’t present those matters.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and the designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

Notes: 1. The original version of the Audit Report presented above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of audit.

[Cover]

[Document title]	Internal Control Report
[Clause of stipulation]	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	May 26, 2023
[Company name]	*Kabushiki-Kaisha Seven & i Holdings*
[Company name in English]	Seven & i Holdings Co., Ltd.
[Title and name of representative]	Ryuichi Isaka, President, Representative Director and CEO
[Title and name of chief financial officer]	Yoshimichi Maruyama, Director, Managing Executive Officer and CFO
[Address of registered head office]	8-8, Nibancho, Chiyoda-ku, Tokyo
[Place for public inspection]	Tokyo Stock Exchange, Inc.
	(2-1, Nihonbashi-Kabutocho, Chuo-ku, Tokyo)

1. Basic framework for internal controls regarding the financial reporting
   Ryuichi Isaka, President and Representative Director, CEO, and Yoshimichi Maruyama, Director and Managing Executive Officer, CFO, are responsible for the design and operation of internal control over financial reporting, and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” released by the Business Accounting Council. Internal control is aimed at achieving its goal to a reasonable extent through basic elements of internal control organically intertwining and functioning in an integrated manner. Accordingly, internal control over financial reporting may not fully prevent or detect misstatements.

2. Scope of assessment, record date, and assessment procedures
   The assessment of internal control over financial reporting was made with February 28, 2023 as the record date, which is the last day of the fiscal year ended, and in the assessment, we complied with assessment standards for internal control over financial reporting generally accepted in Japan.

   In this assessment, we assessed internal control that significantly affects the entire financial reporting on a consolidated basis (Company Level Controls), and then, based on the result, selected business processes to be assessed. In the assessment of the business processes, we made an assessment of effectiveness of internal control by analyzing the selected business processes, and then identifying key controls that have significant impact on credibility of financial reporting and assessing the design and operation for the key controls.

   As for the scope of the assessment of internal control over financial reporting, a necessary scope was determined from the viewpoint of significance of impact on credibility of financial reporting for the Company and its consolidated subsidiaries and entities accounted for using equity method. Significance of impact on credibility of financial reporting was determined in light of significance in terms of the amount and quality, and the scope of assessment of internal control over the business processes was reasonably determined based on results of assessment of Company Level Controls made targeting the Company and 15 consolidated subsidiaries. We judged that 55 consolidated subsidiaries and 24 entities accounted for using equity method were insignificant from the perspective of significance in terms of the amount and quality, so that they were not included in the scope of the assessment of Company Level Controls.

   As for the scope of the assessment of internal control over the business processes, we added up gross profit from operations (after elimination of transactions between consolidated companies) for the previous fiscal year of each business location whose amount of gross profit from operations is higher, and deemed five business locations whose amount in total roughly reached two-thirds of consolidated gross profit from operations for the previous fiscal year as “significant business entities,” taking into account the characteristics of businesses in the Group. In the selected significant business entities, as account items that are closely associated with the company’s business objectives, business process concerning net sales, accounts receivable and inventories was subject to the assessment. Furthermore, regardless of the selected significant business entities, as for the scope including other business entities, business processes related to significant account items for which the possibility of material misstatements are high and which involve estimates and forecasts were added to matters to be assessed as high significant business processes of in view of the impact on financial reporting.

3. Results of the assessment
   As a result of the above assessment, we judged that the Company’s internal control over financial reporting was effective as of February 28, 2023.

4. Supplementary notes
   None

5. Special notes
   None