

Financial Section

Contents

Consolidated Financial Summary	38
Management's Discussion and Analysis	39
Risk Factors	41
Consolidated Balance Sheets	44
Consolidated Statements of Income	46
Consolidated Statements of Changes in Net Assets	47
Consolidated Statements of Cash Flows	48
Notes to Consolidated Financial Statements	49
Independent Auditors' Report	73

Consolidated Financial Summary

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010, February 28, 2009 and February 29, 2008

	Millions of yen			Thousands of U.S. dollars (Note A)
	2010	2009	2008	2010
For the fiscal year:				
Revenues from operations.....	¥5,111,297	¥5,649,948	¥5,752,392	\$57,430,303
Operating income.....	226,666	281,865	281,088	2,546,808
Income before income taxes and minority interests.....	143,104	215,115	227,441	1,607,910
Net income.....	44,875	92,336	130,657	504,213
Capital expenditures (Note B).....	211,189	188,943	217,738	2,372,910
Depreciation and amortization (Note C).....	132,232	140,529	143,642	1,485,752
At fiscal year-end:				
Total assets.....	¥3,673,605	¥3,727,060	¥3,886,680	\$41,276,460
Cash and cash equivalents.....	717,320	663,483	667,770	8,059,775
Total current assets.....	1,460,186	1,397,102	1,354,417	16,406,584
Total current liabilities.....	1,263,370	1,254,927	1,177,493	14,195,168
Long-term debt.....	469,074	463,349	482,177	5,270,494
Total net assets.....	1,793,940	1,860,672	2,058,038	20,156,629
U.S. dollars (Note A)				
	2010	2009	2008	2010
Per share information:				
Net income (Basic).....	¥49.67	¥100.54	¥137.03	\$0.55
Net income (Diluted).....	49.66	100.54	—	0.55
Cash dividends.....	56.00	56.00	54.00	0.62
Financial ratios:				
Operating income ratio (Note D).....	4.4%	5.0%	4.9%	4.4%
Net income ratio (Note D).....	0.9%	1.6%	2.3%	0.9%
ROE.....	2.6%	4.9%	6.7%	2.6%
ROA.....	1.2%	2.4%	3.4%	1.2%

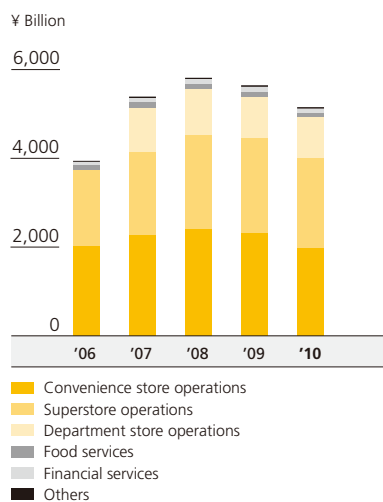
Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥89=US\$1, the approximate rate of exchange prevailing on February 28, 2010.

(B) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.

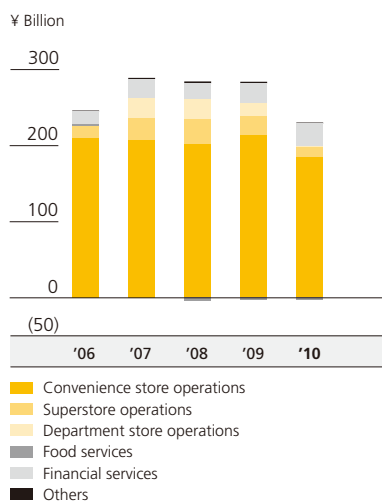
(C) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.

(D) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

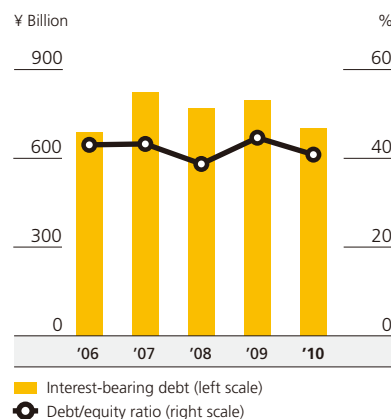
Revenues from Operations by Business Segment



Operating Income (Loss) by Business Segment



Interest-Bearing Debt Debt/Equity Ratio



Note: For the fiscal year ended February 28, 2006, the income statement of department store operations is not consolidated whereas the balance sheet is consolidated.

Management's Discussion and Analysis

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2010, Seven & i Holdings recorded revenues from operations of ¥5,111.2 billion, a decrease of ¥538.6 billion year on year, and operating income of ¥226.6 billion, a decrease of ¥55.1 billion.

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, strengthened its store openings in urban areas and aggressively opened stores in new types of locations, such as in train stations. As a result, the number of domestic stores reached 12,753 at the end of the fiscal year, an increase of 455 stores from the end of the previous fiscal year. In merchandising, targeting the realization of "close by convenient stores," SEJ bolstered the lineup of *Seven Premium* private-brand products, centered on daily products that are frequently purchased. In addition, we began sales of reasonably priced boxed lunches and chilled boxed lunches that offer extended "sell-by" dates while maintaining quality. As a result, total store sales, which comprise directly managed and franchised store sales, rose 0.8%, to ¥2,784.9 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 0.1%, to ¥788.1 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, were down 1.0%, to ¥751.9 billion, and sales of daily food items, which include bread, pastries, and milk, were up 0.8%, to ¥336.9 billion. Sales of nonfood products, which include cigarettes and sundries, were up 3.0%, to ¥907.9 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly managed stores, were down 1.1%, to ¥535.0 billion.

Overseas, for 7-Eleven, Inc. (SEI), which operated 6,389 stores in North America as of the end of December 2009, net sales were down 19.2%, to ¥1,394.6 billion, due to a substantial decline in gasoline prices and the appreciation of the yen (¥93.65 to U.S.\$1.00). However, on a dollar basis, SEI's merchandise sales at existing stores in the United States increased, due to an ongoing focus on development and sales of fast food products and private-brand products, as well as the favorable influence of an increase in prices for cigarettes and other tobacco products. In China, SEVEN-ELEVEN (BEIJING) had 90 stores in Beijing and two in Tianjin as of the end of December 2009. In each area, stores met the needs of local customers and sales recorded favorable progress.

Consequently, revenues from operations in convenience store operations were ¥1,968.5 billion, down 14.7% year on year, and operating income was ¥183.8 billion, down 13.8% year on year, mainly due to an increase in amortization of goodwill related to SEI accompanying a change in accounting standards and to the adverse effect of the appreciation of the yen.

Ito-Yokado is the core operating company in superstore operations. To realize the value that customers want, in apparel we formed optimal teams by product—in line with the targeted quality and features—and worked to develop products in accordance with lifestyle scenes. In addition, we opened *Seven Bi no Gardens* drug and cosmetics stores in Ito-Yokado stores, and moved ahead with the creation of new product lineups and sales areas. In food, we worked to respond to the trend toward eating at home and to bolster sales of *Seven Premium* products. Despite the implementation of these initiatives, because consumers were increasingly focused on protecting their standards of living and on economizing, and because market prices for food and other frequently purchased items declined, Ito-Yokado's net sales were down 5.0%, to ¥1,364.7 billion. By product category, apparel sales in the year under review were down 9.6%, to ¥240.0 billion; sales of household goods declined 6.5%, to ¥220.6 billion; and sales of food decreased 2.5%, to ¥663.7 billion.

Four stores were opened, including stores specializing in food, while five stores were closed, principally stores in suburban areas. Consequently, Ito-Yokado had 174 stores at the end of the fiscal year.

As a result, revenues from operations in superstore operations were ¥2,016.5 billion, a decrease of 5.1% from the previous fiscal year, and operating income was ¥14.1 billion, a decline of 42.7% from the previous fiscal year.

Sogo & Seibu is the core operating company in department store operations. By taking such steps as changing to a region-based organization centered on key stores, Sogo & Seibu worked to increase management efficiency and enhance store competitiveness. At SEIBU Ikebukuro, the flagship store of Sogo & Seibu, we took steps to invigorate sales areas and to bolster operating capabilities through remodeling. In particular, we bolstered our fresh food sales area to leverage our position adjoining a terminal station, and broadened the scope of our product lineup to include frequently purchased ingredients in addition to higher-priced items. In these ways, we moved ahead with the creation of sales areas that will attract new customers. In addition, at SEIBU Higashi-Totsuka, a suburban store, we introduced shopping center-style operations utilizing leading specialty stores that will enhance store competitiveness as a whole. Nonetheless, the worsening of consumer sentiment and declines in market prices had a major adverse influence, and sales were weak, especially for high-priced items, such as apparel, fine art, and jewelry.

Consequently, revenues from operations in department store operations were ¥922.8 billion, down 7.1%, and operating income was ¥1.3 billion, a decrease of 92.5%.

In the restaurant division, which is the core division in food services, we analyzed customer usage data to propose menu items aligned with the preferences of each restaurant's customers. We also developed and introduced regional menu items to capture the attention of local customers. Nonetheless, the operating environment in the restaurant industry became even more challenging, and results were also influenced by unseasonable summer weather. As a result, sales were sluggish. In China, Seven & i Restaurant (Beijing) opened its first family restaurant in a newly emerging business area.

Consequently, revenues from operations in food services were ¥86.4 billion, down 15.9%, and operating loss was ¥2.7 billion, compared with an operating loss of ¥2.9 billion a year earlier.

Seven Bank is the core operating company in financial services. Seven Bank took steps to increase the convenience of its ATMs, such as installing ATMs in Group stores and in stores outside the Group, and continuing to install additional ATMs in Seven-Eleven stores with high numbers of transactions. As a result, at the end of February 2010, Seven Bank had 14,570 installed ATMs, and the daily average number of transactions per ATM during the fiscal year was strong, reaching 114.4 transactions. We also launched a new financial service—the provision of personal loans service. IY Card Service, which develops credit card operations, worked to develop the *nanaco* electronic money operations inside and outside the Group, and to expand services, such as point exchange programs with companies outside the Group.

Consequently, revenues from operations in financial services were ¥110.4 billion, down 11.6%, due to a change in accounting standards at a leasing company. However, operating income was ¥30.1 billion, up 18.3%.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses increased to ¥83.5 billion, from ¥66.7 billion. This was attributable to a decline in gain on sales of property and equipment, and to amortization of goodwill related to department store operations of ¥39.1 billion.

Consequently, income before income taxes and minority interests was down ¥72.0 billion, to ¥143.1 billion.

Net Income

Income taxes were ¥86.7 billion, down ¥27.1 billion from the previous fiscal year. After application of tax effect accounting, the effective tax rate was 60.6%.

As a result, net income was ¥44.8 billion, a decrease of ¥47.4 billion. Net income per share was down ¥50.87, to ¥49.67 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

In the year under review, Seven Health Care, Seven Internet Lab., Seven & i Restaurant (Beijing), New England Pantry, and New England Pantry of Massachusetts were newly added to the scope of consolidation.

Total assets declined ¥53.4 billion, to ¥3,673.6 billion.

At Seven Bank, ATM-related temporary payments, which are included in other current assets, rose ¥55.9 billion due to the influence of the day of the week of the last day of February. Due in part to these factors, total current assets were up ¥63.0 billion, to ¥1,460.1 billion.

In property and equipment, there was a decline due to the sale of non-current assets and the recording of impairment loss. As a result, property and equipment, net, declined ¥26.7 billion. Due principally to impairment loss on goodwill related to department store operations and to the lump-sum write-off of past year's goodwill at SEI accompanying a change in accounting standards for the consolidation of overseas subsidiaries, intangible assets declined ¥124.1 billion. Investments in securities increased ¥28.7 billion due to the new acquisition of Japanese government bonds and municipal bonds at Seven Bank.

Total liabilities rose ¥13.2 billion, to ¥1,879.6 billion.

Due to repayments, the total of long-term debt and short-term loans declined ¥86.0 billion. In bonds, Seven Bank issued ¥30.0 billion in unsecured straight bonds in July 2009 and Ito-Yokado redeemed ¥50.0 billion in bonds in September 2009. Due in part to these factors, the total of bonds, including current portion, decreased ¥20.5 billion. On the other hand, deposits received and deposits received in banking business increased ¥53.8 billion and ¥20.0 billion, respectively.

Total net assets decreased ¥66.7 billion, to ¥1,793.9 billion.

Retained earnings were increased ¥44.8 billion by net income for the year, but were reduced ¥51.4 billion by cash dividend payments and ¥67.1 billion by lump-sum amortization of past year goodwill at SEI. As a result, retained earnings decreased ¥73.9 billion. Foreign currency translation adjustments, principally at SEI, declined ¥7.6 billion.

Consequently, net assets per share were down ¥69.98 from a year earlier, to ¥1,905.97, and the owners' equity ratio declined to 46.9%, from 47.9% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were provided by operations with high revenue- and profit-generating capacity, centered on convenience store operations. The Company used cash to open new stores, remodel existing stores, and redeem bonds. Cash increased ¥54.3 billion;

however, due to a ¥0.5 billion decrease in cash and cash equivalents as a result of changes in the scope of consolidation, cash was ¥717.3 billion at year-end.

(NET CASH PROVIDED BY OPERATING ACTIVITIES)

Net cash provided by operating activities was ¥322.2 billion, up ¥12.1 billion from the previous fiscal year. Income before income taxes and minority interests was down ¥72.0 billion, but Seven Bank recorded net increases of ¥45.0 billion in bonds and ¥38.3 billion in call money.

(NET CASH USED IN INVESTING ACTIVITIES)

Net cash used in investing activities was ¥115.1 billion, a decline of ¥24.4 billion from the previous fiscal year. Proceeds from sales of investments in securities declined ¥33.7 billion, but proceeds from sales of property and equipment increased ¥18.1 billion, and payment for negotiable certificates of deposits was down ¥51.0 billion.

(NET CASH USED IN FINANCING ACTIVITIES)

Net cash used in financing activities was ¥156.7 billion, a decrease of ¥13.0 billion from the previous fiscal year. In the previous fiscal year, proceeds from issuance of bonds were ¥99.6 billion. Payment for redemption of bonds increased ¥49.3 billion. In the year under review, however, payment for acquisitions of treasury stock was down ¥158.1 billion.

Risk Factors

Seven & i Holdings and its operating companies (“the Group”) has established the framework under which it implements a Groupwide risk assessment survey to recognize potential risks through identifying and evaluating risks in an integrated and comprehensive manner on a regular basis. Based on that recognition, it prioritizes these risks, takes countermeasures that correspond to the materiality and urgency of each risk, and seeks continuous improvements through monitoring of the progress of such countermeasures.

The Group is exposed to a variety of risks and uncertainties in conducting its business, which may have a significant influence on the judgment of investors, including, but not limited to, the following. Many of these risks are interdependent and the occurrence of one risk may lead to an increase in other risks in quality and quantity.

Any of these risks may affect its business performance, operating results, and financial condition.

Recognizing the potential for these risks, the Group strives to take measures to prevent risks from materializing, while taking other effective measures to promptly and adequately respond to risks when they materialize.

This section includes forward-looking statements and future expectations as of the date of this annual report.

1. Risks Related to Economic Conditions

Japanese and Global Economies

The Group carries on its mainstay operations in Japan, and also operates around the world. As a result, economic conditions such as business climate and trends in consumer spending in Japan as well as in other countries and regions where the Group does business may affect the Group’s operating results and financial condition. To cater appropriately to the needs of consumers, the Group is actively selling and developing products in accordance with sales strategies. However, unexpected changes in consumer behaviors due to such external factors as economic policies or unseasonable weather may affect its business performance and financial condition.

Interest Rate Fluctuations

The Group is exposed to interest rate fluctuation risks that may affect the interest expenses, interest income, and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may affect its business performance and financial condition.

Foreign Exchange Rate Fluctuations

Foreign exchange rate changes can affect the yen value of assets and liabilities of the Group’s overseas companies because Seven & i Holdings’ consolidated financial statements are presented in Japanese yen. In addition, products sold by the Group include products that are sourced overseas and affected by changes in foreign exchange rates. Accordingly, foreign exchange rate fluctuations may affect its business performance and financial condition.

2. Risks Related to the Group’s Business

GROUPWIDE RISKS

Procurement of Products, Raw Materials, etc., and Fluctuations in Purchase Prices

The Group’s operations depend on obtaining products, raw materials, and other supplies in adequate quality and quantity in a timely manner. The Group strives to decentralize its operations to avoid significant dependence on specific producing areas, suppliers, products, technologies, etc. However, the disruption of procurement routes may affect its operations.

In addition, there are products in the Group’s lineups whose purchase prices change due to external factors, including products affected by fluctuations in the prices of such raw materials as crude oil. Accordingly, fluctuations in purchase prices may affect its business performance and financial condition.

Product Safety and Representations

The Group endeavors to provide customers with safe products and accurate information through the enhancement of food hygiene-related equipment and facilities based on relevant laws and regulations, the implementation of a stringent integrated product management system that includes suppliers, and the establishment of a system of checks. However, the occurrence of a problem beyond the scope of the Group’s measures could reduce public trust in its products and incur costs stemming from countermeasures. If such is the case, its business performance and financial condition could be affected. Further, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Store Opening Strategy

The Group’s opening of stores is subject to various laws and regulations, such as the Large-Scale Retail Store Location Law, the City Planning Law, and the Building Standards Law. In the event that those laws are amended or local authorities changed related regulations, it may become difficult to open stores in accordance with initially prepared store opening plans or remodel existing stores; there may be a decline in potential candidate areas for future store openings; or costs related to legal or regulatory compliance may be incurred. If such is the case, its business performance and financial condition may be affected.

Also, regarding the stores securitized, in the event that repurchases of leasehold properties occur due to such factors as changes in real estate prices or interest rates, etc., its business performance and financial condition could be affected.

M&As, Alliances, and Strategic Investments

The Group develops new businesses and reorganizes its operations by M&A, forming alliances or joint ventures with other companies, etc. However, the Group may not be able to achieve expected results or the strategic objectives of these investments. If such is the case, its business performance and financial condition may be affected.

Credit Management

The Group, in leasing stores, has paid deposits and/or guarantee deposits to store lessors. Deterioration in the economic condition of the store lessors or a drop in the value of the collateral properties received as a pledge for the deposits and/or guarantee deposits may affect its business performance and financial condition.

Impairment of Fixed Assets

The Group has many non-current assets including property and equipment and goodwill. The Group has already adopted asset impairment accounting. However, further recognition of asset impairment may become necessary due to deterioration in profitability of stores or a drop in market value of the assets. If such is the case, its business performance and financial condition may be affected.

RISKS BY SEGMENT

Convenience Store Operations

The Group's convenience store operations are primarily organized under a franchise system and chain operations are conducted under the identical name, Seven-Eleven. The franchise system is a joint enterprise in which franchised stores and the Group fulfill their respective roles based on an equal partnership and a relationship of trust. In the event that agreements with numerous franchised stores become unsustainable because either the Group or the franchised stores did not fulfill their respective roles, its business performance could be affected.

In its convenience store operations, the Group has sought to cater to constantly changing customer needs by working with business partners to innovate production, distribution, sales, and their supporting information systems to realize differentiated, high-quality products and to create convenient services that support everyday life. The unique operational infrastructure of convenience store operations is built in collaboration with business partners that have a shared commitment to the franchise system. Consequently, if the Group were no longer able to maintain operational relationships with business partners in its convenience store operations or if business partners' technical capabilities declined conspicuously, its business performance and financial condition could be affected.

Seven-Eleven has grown into a global chain with more than 37,500 stores in 16 countries and regions around the world, including stores outside the Group that operate under the area license agreements with 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct by area licensees that do not belong to the Group or by stores operated by area licensees could affect its business performance and financial condition.

Superstore Operations

The Group's superstore operations mainly comprise superstores and food supermarkets. In order to respond appropriately to the changes in consumer needs due to consumption saturation and economic slowdown, the Group is undertaking merchandising innovation and structural reform under which it focuses on revitalizing existing stores, advancing conversion to store formats that meet changes in the conditions of locations or area market needs, and steadily closing unprofitable stores. However, the Group may not attain its objectives

completely because of such unforeseen factors as changes in the operating environment. If such is the case, its business performance and financial condition may be affected.

Department Store Operations

The Group is taking such measures for creating new value in department store operations as the structural improvement of the SEIBU Ikebukuro flagship store; format conversion for suburban stores and closing unprofitable stores; and leveraging its Group synergies to advance merchandise development, introduction of specialty stores, and IT strategies.

However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Food Services

In its food services, the Group is striving to maximize integration synergies through the merger of three companies which operate restaurants, meal provision services, and fast food; to press ahead with business reorganization mainly through closing unprofitable stores; and to implement strategies to select the lineup of items to meet the needs of each operating area. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Financial Services

The Group conducts financial services operations, including banking and credit card operations.

Seven Bank owes its revenues mainly to ATM operations. Therefore, the occurrence of such circumstances as the growing use of alternatives to cash for settlement, intensifying competition for ATM services, and/or the peaking out of ATM network expansion may affect its business performance and financial condition.

In its credit card operations, the Group is striving to provide customers with highly convenient financial services integrated with retail services through issuing and promoting the use of the *IY Card* credit card and *nanaco* electronic money. However, regarding credit card operations, an increase in the default rate or unexpected default losses, etc., may affect its business performance and financial condition. Regarding electronic money operations, the Group has built an original system and worked to achieve differentiation, but the rapid spread of electronic money in Japan has been accompanied by such qualitative changes as increased versatility, etc. In the event that the Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

Others

The Group strives to enhance IT/services operations through the integration of real stores and the Internet in order to adapt to the changing needs of society. However, the pace of progress and change in IT, including the introduction of IT for logistics management, is extremely rapid, and if its efforts to cope with such progress and change are delayed for some internal and/or external factors, the

quality of service and competitiveness could be deteriorated. If such is the case, its business performance and financial condition may be affected.

3. Legal Restrictions and Litigations

Changes in Accounting Standards and Tax Systems

The introduction of new accounting standards or tax systems, or changes thereof, which the Group cannot predict, could affect its business performance and financial condition.

Environmental Regulations or Issues

The Group is subject to a variety of environment-related laws and regulations such as those relating to food recycling, containers and packaging recycling, waste management, and global warming countermeasures. These laws and regulations may become more stringent or additional laws and regulations may be adopted in the future, which may cause the Group to incur additional compliance costs or restrict its operating activities.

Leaks of Confidential Information

In the normal course of business, such as financial services, the Group holds confidential information about customers regarding privacy, credit worthiness, and other information including personal information, as well as confidential information about companies and other third parties. Such information could be leaked inadvertently or deliberately, and any material leakage of confidential information could face damage liability claims and/or damage the Group's social trust. Moreover, there is a risk that the Group's trade secrets could be leaked by misappropriation or negligence. If such is the case, its business performance and financial condition could be affected.

Litigation and Regulatory Actions

The Group is exposed to the risk that it will be subject to various legal procedures stemming from lawsuits, etc., or regulatory authorities in regard to the execution of its business activities.

Currently, no lawsuits that significantly affect the Group's performance have been filed against the Group. However, if decisions unfavorable to the Group result from lawsuits with a potentially significant effect on business results or social standing, its operating results and financial condition may be affected.

Also, a substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings due to the implementation of stricter laws and regulations or stricter interpretations, may affect its business performance, financial condition, and reputation.

4. Risks Related to Disasters or Unpredictable Events

Influence of Disasters, etc.

The Group's head office, stores, and facilities for mainstay operations are located in Japan. The Group also operates businesses around the world. If major disasters such as earthquakes, fires and floods, wars, or illegal activities such as terrorist attacks occurred, the Group's stores and facilities could be seriously damaged, which leads to a halt of business activities or incurring expenses related to such damages. If such is the case, its business performance and financial condition could be

affected. In particular, the occurrence of a large natural disaster in the Tokyo metropolitan area—where stores for mainstay operations including convenience store operations and superstore operations are concentrated—could likely have a significant effect.

In addition, as network and information systems have become increasingly important to the Group's operating activities, network and information system shutdowns caused by such unforeseen events as power outages, disasters, terrorist attacks, hardware or software defects, or computer viruses and computer hacking could impede business operations, which could affect its business performance and financial condition.

Pandemic of Infectious Diseases, Such as New Strain of Influenza

The Group operates retail businesses as its core operations, which play a role as a lifeline. While it places top priority on the security and safety of customers and employees, in order to fulfill its social responsibilities, the Group has come up with business continuity plans that respond to the pandemic of such infectious diseases as a new strain of influenza. However, according to the development of a pandemic phase, the Group could take such appropriate measures as shortening of operating hours or limiting the number of stores it operates, etc. If such is the case, its business performance and financial condition could be affected.

5. Other Risks

Retirement Benefit Obligations and Retirement Benefit Expenses

The Group calculates retirement benefit obligations and retirement benefit expenses based on assumptions such as the discount rates and the expected rates of return on plan assets. However, unexpected changes in such underlying factors as domestic and international share prices, foreign exchange rates, or interest rates; deterioration in the return on plan assets due to such changes; or changes in the general pension system may affect its business performance and financial condition.

Deferred Tax Assets

Some of the Group companies record deferred tax assets based on estimates of future taxable income or the time period within which the underlying temporary differences become taxable or deductible. However, if estimates of taxable income are lowered due to worsening business climate and other significant changes, the Group may be required to reduce the amount of its deferred tax assets, resulting in an affect on its business performance and financial condition.

Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage the Group's overall brand image. As a result, consumers' trust in the Group could diminish, the Group could lose personnel, or it could be difficult to secure the necessary personnel, which could affect the Group's business performance and financial condition.

Consolidated Balance Sheets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2010 and February 28, 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Current assets:			
Cash and cash equivalents	¥ 717,320	¥ 663,483	\$ 8,059,775
Notes and accounts receivable:			
Trade.....	119,627	116,902	1,344,123
Financial services	68,243	78,042	766,775
Franchisees and other.....	51,635	56,522	580,168
Allowance for doubtful accounts.....	(4,421)	(4,321)	(49,674)
	235,085	247,146	2,641,404
Inventories	161,395	169,534	1,813,426
Deferred income taxes (Note 9).....	28,360	28,656	318,651
Prepaid expenses and other current assets.....	318,025	288,281	3,573,314
Total current assets.....	1,460,186	1,397,102	16,406,584
Property and equipment, at cost (Notes 6, 7, 12 and 15)	2,399,179	2,378,037	26,957,067
Less: Accumulated depreciation	(1,203,470)	(1,155,609)	(13,522,134)
	1,195,709	1,222,427	13,434,932
Intangible assets:			
Goodwill.....	197,126	318,945	2,214,898
Software and other (Note 15).....	100,405	102,701	1,128,146
	297,531	421,647	3,343,044
Investments and other assets:			
Investments in securities (Notes 4 and 15).....	168,850	140,149	1,897,191
Long-term loans receivable.....	19,657	14,270	220,865
Long-term leasehold deposits (Note 15)	438,028	442,416	4,921,662
Prepaid pension cost (Note 10).....	12,149	16,486	136,505
Deferred income taxes (Note 9).....	26,134	22,966	293,640
Other	62,259	59,885	699,539
Allowance for doubtful accounts.....	(6,903)	(10,291)	(77,561)
	720,177	685,883	8,091,876
	¥3,673,605	¥3,727,060	\$41,276,460

The accompanying notes are an integral part of these balance sheets.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Current liabilities:			
Short-term loans (Notes 11 and 15).....	¥ 151,200	¥ 191,100	\$ 1,698,876
Current portion of long-term debt (Notes 11 and 15).....	103,402	155,259	1,161,820
Notes and accounts payable:			
Trade (Note 5).....	188,630	194,283	2,119,438
Trade for franchised stores (Note 17).....	103,997	103,500	1,168,505
Other.....	79,016	83,215	887,820
	371,645	380,999	4,175,786
Accrued expenses.....	76,692	78,622	861,707
Income taxes payable.....	42,255	53,311	474,775
Deposits received.....	173,937	120,038	1,954,348
Deposits received in banking business.....	185,745	165,712	2,087,022
Allowance for bonuses to employees.....	14,377	15,705	161,539
Allowance for sales promotion expenses.....	13,134	16,601	147,573
Allowance for losses on future collection of gift certificates.....	4,058	6,024	45,595
Other (Note 9).....	126,922	71,552	1,426,089
Total current liabilities.....	1,263,370	1,254,927	14,195,168
Long-term debt (Notes 11 and 15).....	469,074	463,349	5,270,494
Allowance for accrued pension and severance costs (Note 10).....	3,493	3,510	39,247
Allowance for retirement benefits to directors and corporate auditors	2,490	3,480	27,977
Deferred income taxes (Note 9).....	38,343	44,094	430,820
Deposits received from tenants and franchised stores (Note 15).....	55,827	60,276	627,269
Other liabilities (Note 15).....	47,063	36,747	528,797
Total liabilities.....	1,879,664	1,866,387	21,119,820
Commitments and contingent liabilities (Note 15)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 906,441,983 shares in 2010 and 906,441,983 shares in 2009.....	50,000	50,000	561,797
Capital surplus.....	576,072	576,074	6,472,719
Retained earnings.....	1,172,263	1,246,165	13,171,494
Treasury stock, at cost, 2,983,875 shares in 2010 and 2,982,472 shares in 2009.....	(9,270)	(9,277)	(104,157)
	1,789,065	1,862,962	20,101,853
Accumulated gains (losses) from valuation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes (Note 4).....	3,227	247	36,258
Unrealized losses on hedging derivatives, net of taxes.....	(549)	(622)	(6,168)
Foreign currency translation adjustments.....	(69,776)	(77,398)	(784,000)
	(67,097)	(77,773)	(753,898)
Subscription rights to shares (Note 14).....	721	391	8,101
Minority interests in consolidated subsidiaries	71,251	75,092	800,573
Total net assets.....	1,793,940	1,860,672	20,156,629
	¥3,673,605	¥3,727,060	\$41,276,460

Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010 and February 28, 2009

Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 29, 2008	¥50,000	¥731,621	¥1,205,042	¥ (6,815)	¥ 3,885	¥(676)	¥ 1,961	¥ —	¥73,020	¥2,058,038
Net income for the year			92,336							92,336
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			(121)							(121)
Cash dividends			(51,091)							(51,091)
Purchase of treasury stock				(158,018)						(158,018)
Sales of treasury stock		(0)		37						36
Cancellation of treasury stock		(155,546)		155,546						—
Other				(26)						(26)
Net (decrease) increase for the year					(3,637)	54	(79,360)	391	2,071	(80,480)
Balance at February 28, 2009	¥50,000	¥576,074	¥1,246,165	¥ (9,277)	¥ 247	¥(622)	¥(77,398)	¥391	¥75,092	¥1,860,672
Net income for the year			44,875							44,875
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			(70)							(70)
Cash dividends			(51,497)							(51,497)
Purchase of treasury stock				(18)						(18)
Sales of treasury stock		(2)		29						27
Effect of changes in accounting policies applied to foreign subsidiaries (Note 2)			(67,126)							(67,126)
Effect of changes in scope of consolidation			(83)							(83)
Other				(4)						(4)
Net (decrease) increase for the year					2,980	73	7,621	330	(3,840)	7,165
Balance at February 28, 2010	¥50,000	¥576,072	¥1,172,263	¥ (9,270)	¥ 3,227	¥(549)	¥(69,776)	¥721	¥71,251	¥1,793,940

Thousands of U.S. dollars (Note 3)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2009	\$561,797	\$6,472,741	\$14,001,853	\$ (104,235)	\$ 2,775	\$(6,988)	\$(869,640)	\$4,393	\$843,730	\$20,906,426
Net income for the year			504,213							504,213
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			(786)							(786)
Cash dividends			(578,617)							(578,617)
Purchase of treasury stock				(202)						(202)
Sales of treasury stock		(22)		325						303
Effect of changes in accounting policies applied to foreign subsidiaries (Note 2)			(754,224)							(754,224)
Effect of changes in scope of consolidation			(932)							(932)
Other				(44)						(44)
Net (decrease) increase for the year					33,483	820	85,629	3,707	(43,146)	80,505
Balance at February 28, 2010	\$561,797	\$6,472,719	\$13,171,494	\$ (104,157)	\$36,258	\$(6,168)	\$(784,000)	\$8,101	\$800,573	\$20,156,629

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2010 and February 28, 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 143,104	¥ 215,115	\$ 1,607,910
Depreciation and amortization.....	132,232	140,529	1,485,752
Impairment loss on property and equipment.....	28,052	39,372	315,191
Amortization of goodwill.....	58,000	11,639	651,685
Increase (decrease) in allowance for bonuses to employees.....	(1,293)	(404)	(14,528)
Decrease (increase) in prepaid pension cost.....	4,336	(3,655)	48,719
Interest and dividend income.....	(6,189)	(7,048)	(69,539)
Interest expenses and interest on bonds.....	8,505	10,313	95,561
Foreign currency exchange (gains) losses.....	(136)	1,505	(1,528)
Equity in losses (earnings) of affiliates.....	(1,225)	667	(13,764)
Gain on sales of property and equipment.....	(1,168)	(5,330)	(13,123)
Loss on disposals of property and equipment.....	6,143	6,185	69,022
Loss on sales of investments in securities.....	333	85	3,741
Valuation loss on investments in securities.....	227	11,354	2,550
Decrease (increase) in notes and accounts receivable, trade.....	(3,153)	9,241	(35,426)
Decrease (increase) in accounts receivable, financial services.....	9,799	(2,301)	110,101
Decrease (increase) in inventories.....	8,450	(8,565)	94,943
Increase (decrease) in notes and accounts payable.....	(5,436)	(14,455)	(61,078)
Increase (decrease) in deposits received.....	16,449	13,113	184,820
Payment for debts in banking business.....	3,700	(11,000)	41,573
Net increase (decrease) in deposits received in banking business.....	20,033	23,506	225,089
Net decrease (increase) in call loan in banking business.....	(6,000)	13,500	(67,415)
Net increase (decrease) in call money in banking business.....	50,600	12,300	568,539
Net change in ATM-related temporary accounts.....	(33,545)	(38,217)	(376,910)
Other.....	4,720	1,583	53,033
Sub-total.....	436,540	419,033	4,904,943
Interest and dividends received.....	4,568	4,780	51,325
Interest paid.....	(8,612)	(10,076)	(96,764)
Income taxes paid.....	(110,294)	(103,730)	(1,239,258)
Net cash provided by operating activities.....	322,202	310,007	3,620,247
Cash flows from investing activities:			
Acquisition of property and equipment.....	(154,574)	(147,431)	(1,736,786)
Proceeds from sales of property and equipment.....	45,450	27,286	510,674
Acquisition of intangible assets.....	(12,774)	(12,183)	(143,528)
Payment for purchase of investments in securities.....	(256,054)	(260,770)	(2,877,011)
Proceeds from sales of investments in securities.....	226,742	260,488	2,547,662
Payment of loans receivable.....	(6,245)	(539)	(70,168)
Collection of loans receivable.....	821	1,070	9,224
Payment for long-term leasehold deposits.....	(30,916)	(25,622)	(347,370)
Refund of long-term leasehold deposits.....	28,106	33,290	315,797
Proceeds from deposits from tenants.....	3,144	2,813	35,325
Refund of deposits from tenants.....	(5,012)	(3,757)	(56,314)
Payment for time deposits.....	(28,600)	(29,107)	(321,348)
Payment for negotiable certificates of deposits.....	(55,000)	(106,000)	(617,977)
Proceeds from withdrawal of time deposits.....	29,467	30,892	331,089
Proceeds from withdrawal of negotiable certificates of deposits.....	107,000	96,000	1,202,247
Other.....	(6,714)	(5,997)	(75,438)
Net cash used in investing activities.....	(115,158)	(139,568)	(1,293,910)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans.....	(48,600)	38,239	(546,067)
Proceeds from long-term debt.....	101,000	27,600	1,134,831
Repayment of long-term debt.....	(94,700)	(116,570)	(1,064,044)
Proceeds from commercial paper.....	283,704	596,066	3,187,685
Payment for redemption of commercial paper.....	(286,429)	(599,704)	(3,218,303)
Proceeds from issuance of bonds.....	—	99,616	—
Payment for redemption of bonds.....	(50,592)	(1,217)	(568,449)
Dividends paid.....	(51,476)	(51,046)	(578,382)
Capital contribution from minority interests.....	527	371	5,921
Dividends paid for minority interests.....	(3,653)	(4,363)	(41,044)
Payment for acquisitions of treasury stock.....	(18)	(158,122)	(202)
Other.....	(6,469)	(623)	(72,685)
Net cash used in financing activities.....	(156,708)	(169,755)	(1,760,764)
Effect of exchange rate changes on cash and cash equivalents.....	4,061	(4,969)	45,629
Net increase (decrease) in cash and cash equivalents.....	54,397	(4,286)	611,202
Cash and cash equivalents at beginning of year.....	663,483	667,770	7,454,865
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation.....	(560)	—	(6,292)
Cash and cash equivalents at end of year.....	¥ 717,320	¥ 663,483	\$ 8,059,775

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the Consolidated Financial Statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company’s foreign consolidated subsidiaries. Prior to the fiscal year ended February 28, 2010, the accounts of the Company’s foreign consolidated subsidiaries had been prepared in accordance with accounting principles generally accepted in their own countries. As described in Note 2, the accounts of the Company’s foreign consolidated subsidiaries for the fiscal year ended February 28, 2010 are prepared in accordance with either International Financial Reporting Standards (“IFRS”) or U.S. generally accepted accounting principles (“U.S. GAAP”), with adjustments for the specified six items as applicable.

The accompanying Consolidated Financial Statements have been restructured and translated into English from the Consolidated Financial Statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language Consolidated Financial Statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying Consolidated Financial Statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts. Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 81 subsidiaries which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd., Seven & i Food Systems Co., Ltd., York-Benimaru Co., Ltd., Seven Bank, Ltd. and 7-Eleven, Inc.

Five new subsidiaries have been consolidated since 2010 due to the establishment of Seven & i Restaurant (Beijing) Co., Ltd., Seven Internet Lab. Co., Ltd. and Seven Health Care Co., Ltd. and the stock acquisition of New England Pantry, Inc. and New England Pantry of Massachusetts, Inc..

On the other hand, seven consolidated subsidiaries decreased by the following reasons. First, Millennium Retailing, Inc., Sogo Co., Ltd. and THE SEIBU DEPARTMENT STORES, LTD. merged with Sogo, being the surviving company, which changed its name to Sogo & Seibu Co., Ltd. Furthermore, Robinson Department Store Co., Ltd. merged with

Sogo & Seibu Co., Ltd. Second, SEJ Finance LLC and SEJ Service LLC merged with 7-Eleven Inc., Third, MILLENNIUM Casting Inc. merged with Iing Co., Ltd., Fourth, FUJIKOSHI CO., LTD. merged with York-Benimaru Co., Ltd.

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 of the Company. All material transactions during the period from January 1 to February 28 are adjusted for in the consolidation process.

7dream.com changed its fiscal year-end to February 28, primarily from December 31. As a result, income and loss for the period from January 1, 2009 to February 28, 2010 was consolidated.

The closing date of a certain subsidiary is March 31. Pro forma financial statements as of the end of February, prepared in a manner that is substantially identical to the preparation of the official financial statements, were prepared in order to facilitate its consolidation.

15 affiliates, which include PIA Corporation and Seven Farm Tomisato Co., Ltd., are accounted for using the equity method. The advance to an affiliate that has negative net assets was reduced. The affiliates which have a different fiscal year-end are included in the Consolidated Financial Statements based on their respective fiscal year-end.

All material intercompany transactions and account balances have been eliminated.

The Company’s interest portion in the assets and liabilities of subsidiaries and affiliates was revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is recognized as goodwill. On March 29, 2007, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Implementation Guidance No. 15, “Implementation Guidance on Disclosure about Certain Special Purpose Corporation,” which was effective for financial years beginning on or after April 1, 2007. The Company has applied the guidance from the fiscal year ended February 28, 2009.

(2) Inventories

Inventories 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 average retail method for domestic consolidated subsidiaries and by the LIFO method for foreign consolidated subsidiaries.

(Change in valuation standards of inventories)

Inventories held for sale in the ordinary course of business were previously stated using mainly the lower cost or market method. From the current fiscal year, the Company has applied the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, on July 5, 2006), and inventories are now stated mainly at cost determined by the retail method with book value written down to the net realizable value. Due to this change, valuation loss on beginning inventories included in other expenses was ¥1,323 million. As a result of this change, the impact of operating income decreased by ¥320 million, income before income taxes and minority interests for the period decreased by ¥1,644 million.

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.

(3) Securities

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

Available-for-sale securities are classified into two categories, where:

- (a) the fair value is available and (b) the fair value is not available.
- (a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.
- (b) Securities whose fair value is not available are valued at cost, determined using the moving-average method.

(4) Derivatives

Derivative financial instruments are valued at fair value.

(5) Property and equipment (excluding lease assets)

Depreciation of property and equipment is computed generally using the declining-balance method for the Company and its domestic consolidated subsidiaries, except for the domestic consolidated subsidiaries in the department store business and using the straight-line method for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries.

(Additional information)

Effective from the fiscal year ended February 28, 2009, the Company and its domestic consolidated subsidiaries depreciate their property and equipment acquired before April 1, 2007 for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years from the following fiscal year. The impact of this change on the Consolidated Statements of Income is immaterial.

(6) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method for the Company and its domestic consolidated subsidiaries.

Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

Goodwill and negative goodwill arising from consolidated subsidiaries are mainly amortized over a period of 20 years on a straight-line basis, or charged to income if it is immaterial. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

(7) Lease assets

(Accounting standard for lease transactions)

From the current fiscal year, the Company and its domestic subsidiaries applied "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, on June 17, 1993 (First Committee of the Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, on January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30, 2007).

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treatment as sale/purchase transactions, recognizing them as lease assets.

Under the existing accounting standards, finance leases commenced prior to March 1, 2009 which do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same

manner as operating leases if certain "as if capitalized" information is disclosed in a note to the lessee's financial statements.

The impact of this application on the Consolidated Statements of Income is immaterial.

(8) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, inhabitant taxes and enterprise taxes.

Deferred tax accounting is applied.

(9) Allowances

(a) 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.

(b) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program. In the department store business, estimated costs of sales for goods to be purchased by coupon tickets issued through the point system are provided for.

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

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

(d) Allowance for bonuses to employees

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

(e) Allowance for accrued pension and severance costs

(Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences at February 28, 2010 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs. Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the next year in which they arise which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of mainly 5 years.

(10) Hedge accounting

Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in interest rates and reducing finance costs.

The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts which meet specific hedging criteria 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 expenses as incurred. The hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.

(11) Per share information

Net assets (excluding minority interests in consolidated subsidiaries) as of February 28, 2010 and February 28, 2009 are ¥1,905.97 (\$21.41) and ¥1,975.95, respectively. Net income per share for the fiscal years ended February 28, 2010 and February 28, 2009 are ¥49.67 (\$0.55) and ¥100.54, respectively. Diluted net income per share for the fiscal years ended February 28, 2010 and February 28, 2009 are ¥49.66 (\$0.55) and ¥100.54, respectively.

Net income per share of common stock is computed based on the weighted average number of shares of common stock outstanding and diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Basis for the calculation of net income per share for the fiscal years ended February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Net income	¥44,875	¥92,336	\$504,213
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥44,875	¥92,336	\$504,213
Weighted average number of shares of common stock outstanding (shares)	903,458,314	918,389,766	—

Cash dividends per share shown in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the year.

(12) Treasury stock

Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to Japanese GAAP on the presentation of treasury stock.

(13) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the United States and Canada is included in the accompanying Consolidated Statements of Income.

(14) 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 at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

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

(15) Cash and cash equivalents

Cash and cash equivalents of the accompanying Consolidated Statements of Cash Flows are comprised 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.

(16) Accounting for franchised stores in convenience store operations

7-Eleven, Inc. includes the assets, liabilities, net assets and results of operations of its franchised stores in its consolidated financial statements. Seven-Eleven Japan Co., Ltd. recognizes franchise commission from its franchised stores as revenues and includes it in "Other operating revenues."

(17) Change in Significant Accounting Policies for the Preparation of Consolidated Financial Statements

(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

On March 17, 2006, the ASBJ issued Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). The Company has applied PITF No. 18, and made necessary adjustments for significant differences between Japanese GAAP and IFRS or U.S. GAAP.

As a result of this application, beginning retained earnings decreased by ¥67,126 million, and operating income and income before income taxes and minority interests for the period each decreased by ¥7,268 million.

The impact of this application is described in segment information section (Note 20).

(18) Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥89=US\$1, the approximate rate of exchange prevailing on February

28, 2010. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or at any other rate.

4. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2010 and February 28, 2009:

TYPE	Millions of yen		
	2010		
	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥605	¥611	¥5
Total.....	¥605	¥611	¥5

TYPE	Millions of yen		
	2009		
	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥614	¥617	¥3
Total.....	¥614	¥617	¥3

TYPE	Thousands of U.S. dollars (Note 3)		
	2010		
	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	\$6,797	\$6,865	\$56
Total.....	\$6,797	\$6,865	\$56

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 28, 2010 and February 28, 2009:

TYPE	Millions of yen		
	2010		
	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 14,611	¥ 19,126	¥ 4,514
Debt securities	62,654	62,669	14
Sub-total	77,266	81,795	4,529
Securities with book value not exceeding acquisition cost:			
Equity securities	5,975	4,936	(1,038)
Debt securities	52,017	52,008	(9)
Sub-total	57,992	56,945	(1,047)
Total	¥135,258	¥138,740	¥ 3,482

TYPE	Millions of yen		
	2009		
	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,910	¥ 11,725	¥ 1,814
Debt securities	80,542	80,621	79
Sub-total	90,452	92,346	1,893
Securities with book value not exceeding acquisition cost:			
Equity securities	8,885	7,369	(1,515)
Debt securities	10,993	10,993	0
Sub-total	19,878	18,362	(1,515)
Total	¥110,331	¥110,709	¥ 377

TYPE	Thousands of U.S. dollars (Note 3)		
	2010		
	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	\$ 164,168	\$ 214,898	\$ 50,719
Debt securities	703,977	704,146	157
Sub-total	868,157	919,044	50,887
Securities with book value not exceeding acquisition cost:			
Equity securities	67,134	55,460	(11,662)
Debt securities	584,460	584,359	(101)
Sub-total	651,595	639,831	(11,764)
Total	\$1,519,752	\$1,558,876	\$ 39,123

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2010 and February 28, 2009 are as follows:

TYPE	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Sales amounts.....	¥1,884	¥39	\$21,168
Gain on sales of available-for-sale securities	574	18	6,449
Loss on sales of available-for-sale securities	(333)	(6)	(3,741)

(4) The following table summarizes the book value of major securities with no available fair value as of February 28, 2010 and February 28, 2009:

TYPE	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Held-to-maturity debt securities:			
Bonds	¥ 0	¥ 202	\$ 0
Available-for-sale securities:			
Non-listed securities	18,110	18,809	203,483
Non-listed foreign securities	3,021	3,021	33,943
Debt securities	25	24	280
Negotiable certificates of deposits	0	52,000	0
Total	¥21,156	¥74,058	\$237,707

(5) Redemption schedules of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of February 28, 2010 and February 28, 2009 are as follows:

TYPE	Millions of yen				
	2010				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥114,677	¥605	¥ —	¥ —	¥115,283
Corporate bonds	0	—	—	—	0
Debt securities	25	—	—	—	25
Negotiable certificates of deposits	0	—	—	—	0
Total	¥114,702	¥605	¥ —	¥ —	¥115,308

TYPE	Millions of yen				
	2009				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥ 86,542	¥5,687	¥ —	¥ —	¥ 92,229
Corporate bonds	202	—	—	—	202
Debt securities	24	—	—	—	24
Negotiable certificates of deposits	52,000	—	—	—	52,000
Total	¥138,770	¥5,687	¥ —	¥ —	¥144,457

TYPE	Thousands of U.S. dollars (Note 3)				
	2010				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	\$1,288,505	\$6,797	\$ —	\$ —	\$1,295,314
Corporate bonds	0	—	—	—	0
Debt securities	280	—	—	—	280
Negotiable certificates of deposits	0	—	—	—	0
Total	\$1,288,786	\$6,797	\$ —	\$ —	\$1,295,595

(6) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2010 and February 28, 2009 are ¥10,940 million (\$122,921 thousand) and ¥6,563 million, respectively.

5. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Company and its consolidated subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of

non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible departments in the Company and its consolidated subsidiaries enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2010 and February 28, 2009 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivative transactions to which hedge accounting has been applied are excluded from this disclosure.

(1) Currency-related transactions

	Millions of yen			
	2010		Estimated fair value	Unrealized gains (losses)
	Contract amount			
Total	Over one year			
Forward exchange contracts:				
Buy U.S. dollar	¥4,546	¥ —	¥4,466	¥(79)
Buy Euro	119	—	109	(10)
Currency swap contracts:				
U.S. dollar	¥ 866	¥ —	¥ (1)	¥ (1)

	Millions of yen			
	2009		Estimated fair value	Unrealized gains (losses)
	Contract amount			
Total	Over one year			
Forward exchange contracts:				
Buy U.S. dollar	¥ 5,377	¥ —	¥5,677	¥ 299
Buy Euro	88	—	85	(3)
Currency swap contracts:				
U.S. dollar	¥12,684	¥866	¥1,907	¥1,907

	Thousands of U.S. dollars (Note 3)			
	2010		Estimated fair value	Unrealized gains (losses)
	Contract amount			
Total	Over one year			
Forward exchange contracts:				
Buy U.S. dollar	\$51,078	\$ —	\$50,179	\$(887)
Buy Euro	1,337	—	1,224	(112)
Currency swap contracts:				
U.S. dollar	\$ 9,730	\$ —	\$ (11)	\$ (11)

(2) Interest-rate-related transactions

	Millions of yen			
	2010		Estimated fair value	Unrealized gains (losses)
	Contract amount			
Total	Over one year			
Interest rate swap contracts:				
Receive fixed / Pay float	¥10,000	¥ —	¥13	¥13

	Millions of yen			
	2009		Estimated fair value	Unrealized gains (losses)
	Contract amount			
Total	Over one year			
Interest rate swap contracts:				
Receive fixed / Pay float	¥10,000	¥10,000	¥(2)	¥(2)

	Thousands of U.S. dollars (Note 3)			
	2010		Estimated fair value	Unrealized gains (losses)
	Contract amount			
Total	Over one year			
Interest rate swap contracts:				
Receive fixed / Pay float	\$112,359	\$ —	\$146	\$146

6. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥1,362,264	¥1,357,752	\$15,306,337
Furniture, fixtures and other.....	464,099	455,112	5,214,595
	1,826,363	1,812,865	20,520,932
Less: Accumulated depreciation	(1,203,470)	(1,155,609)	(13,522,134)
	622,893	657,257	6,998,797
Land	520,320	525,022	5,846,292
Construction in progress	52,495	40,147	589,831
Total.....	¥1,195,709	¥1,222,427	\$13,434,932

7. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2010 and February 28, 2009, the Company and its consolidated subsidiaries recognized ¥28,052 million (\$315,191 thousand) and ¥39,372 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2010:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 76 stores Osaka Pref. 39 stores Others (including U.S.)	¥26,173	\$294,078
Stores (Superstores)		Saitama Pref. 6 stores Tokyo Met. 4 stores Others 19 stores		
Stores (Department stores)		Tokyo Met. 3 stores Oita Pref. 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 149 stores	1,879	21,112
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others		
Total			¥28,052	\$315,191

Fiscal year ended February 28, 2009:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 53 stores Osaka Pref. 38 stores Others (including U.S.)	¥37,353
Stores (Superstores)		Tokyo Met. 5 stores Kanagawa Pref. 4 stores Others 20 stores	
Stores (Department stores)		Buildings and structures, etc.	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 214 stores	2,019
Other facilities, etc.	Buildings and software, etc.	Osaka Pref. U.S. & others	
Total			¥39,372

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, and such deducted amount was recorded as impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2010 and February 28, 2009 is as follows:

Fiscal year ended February 28, 2010:

Classification	Millions of yen			Thousands of U.S. dollars (Note 3)
	Stores	Other facilities, etc.	Total	
Buildings and structures	¥19,039	¥ 176	¥19,216	\$215,910
Land	4,494	453	4,947	55,584
Software	—	1,203	1,203	13,516
Other	2,639	45	2,684	30,157
Total	¥26,173	¥1,879	¥28,052	\$315,191

Fiscal year ended February 28, 2009:

Classification	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥18,809	¥ 154	¥18,963
Land	15,878	133	16,012
Software	26	476	503
Other	2,638	1,254	3,892
Total	¥37,353	¥2,019	¥39,372

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as

recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 2.1%–6.0% discount rates in 2010 and the 2.9%–6.0% in 2009 were applied.

8. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Finance lease obligation for property and equipment recorded for the fiscal year	¥8,410	¥2,071	\$94,494

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the fiscal years ended February 28, 2010 and February 28, 2009.

The significant components of deferred tax assets and liabilities as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Deferred tax assets:			
Inventory reserve.....	¥ —	¥ 2,170	\$ —
Allowance for bonuses to employees	5,818	6,383	65,370
Allowance for sales promotion expenses	5,090	4,298	57,191
Accrued payroll	3,752	3,031	42,157
Allowance for retirement benefits to directors and corporate auditors	1,182	1,665	13,280
Allowance for accrued pension and severance costs	435	372	4,887
Allowance for loss on future collection of gift certificates	2,709	2,626	30,438
Depreciation and amortization	13,419	12,188	150,775
Tax loss carried forward	44,672	41,802	501,932
Valuation loss on available-for-sale securities	3,870	4,387	43,483
Allowance for doubtful accounts.....	3,703	4,225	41,606
Unrealized loss on property and equipment.....	13,533	12,654	152,056
Impairment loss on property and equipment and valuation loss on land	45,140	42,931	507,191
Accrued enterprise taxes and business office taxes	4,575	5,373	51,404
Accrued expenses	8,439	10,125	94,820
Other	11,489	12,719	129,089
Sub-total	167,833	166,957	1,885,764
Less: Valuation allowance.....	(99,064)	(99,475)	(1,113,078)
Total	68,769	67,481	772,685
Deferred tax liabilities:			
Unrealized gains on property and equipment	(31,534)	(37,287)	(354,314)
Royalties, etc.....	(12,320)	(12,290)	(138,426)
Deferred gains on sales of property and equipment.....	(1,115)	(1,144)	(12,528)
Unrealized gains on available-for-sale securities	(748)	(878)	(8,404)
Prepaid pension cost	(5,024)	(6,577)	(56,449)
Other	(1,937)	(1,775)	(21,764)
Total.....	(52,681)	(59,953)	(591,921)
Net deferred tax assets (a)	¥ 16,087	¥ 7,528	\$ 180,752
(a) Net deferred tax assets are included in the following assets and liabilities:			
Current assets—Deferred income taxes	¥ 28,360	¥ 28,656	\$ 318,651
Other assets—Deferred income taxes.....	26,134	22,966	293,640
Current liabilities—Other	(64)	—	(719)
Non-current liabilities—Deferred income taxes	(38,343)	(44,094)	(430,820)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2010 and February 28, 2009 is as follows:

	2010	2009
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.3)	0.1
Amortization of goodwill	16.5	2.3
Non-deductible items, such as entertainment expenses	0.3	0.2
Increase (decrease) in valuation allowance	(0.3)	7.9
Inhabitant taxes per capital	1.2	0.7
Elimination of gain on sales of subsidiaries' stock for consolidation	2.8	—
Other	(0.3)	1.0
Effective tax rate	60.6%	52.9%

10. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries provide two types of defined benefit plan: the employees' pension fund plan and the lump-sum severance payment plan.

Additional retirement benefits for early retirement may be added upon the retirement of the employees. Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Projected benefit obligations (a)	¥(192,775)	¥(189,047)	\$(2,166,011)
Fair value of plan assets (including employee retirement benefit trust)	157,764	135,931	1,772,629
Unrecognized actuarial differences	43,611	66,775	490,011
Unrecognized prior service cost	54	(684)	606
Prepaid pension cost, net of allowance for accrued pension and severance costs	8,655	12,975	97,247
Prepaid pension cost	12,149	16,486	136,505
Allowance for accrued pension and severance costs	¥ (3,493)	¥ (3,510)	\$ (39,247)

(a) For some of the consolidated subsidiaries, the simplified method is used for computing retirement benefit obligations.

(3) Net periodic benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Service cost (a)	¥11,722	¥11,286	\$131,707
Interest cost	3,880	4,507	43,595
Expected return on plan assets	(4,032)	(6,213)	(45,303)
Amortization of actuarial differences	7,148	1,270	80,314
Amortization of prior year service cost	(693)	(750)	(7,786)
Additional retirement benefits for early retirement	600	3,131	6,741
Net periodic benefit cost (b)	¥18,626	¥13,232	\$209,280

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.

(b) Besides the above net periodic benefit cost, ¥1,011 million (\$11,359 thousand) and ¥1,117 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 28, 2010 and February 28, 2009, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2010	2009
Allocation method of estimated total retirement benefits: Mainly	Point basis	Point basis
Discount rate: Mainly	2.0%	2.0%
Consolidated subsidiaries in the United States	5.9%	6.5%
Expected rate of return on plan assets: Mainly	3.0%	3.5%
Periods over which the prior service cost is amortized	5 years or 10 years	5 years or 10 years
Periods over which the actuarial differences are amortized (a): Mainly	10 years	10 years

(a) Actuarial differences are amortized in the year following the year in which the differences are recognized primarily using the straight-line method over the period (mainly 10 years), which is shorter than the average remaining years of service of the employees. Consolidated subsidiaries in the United States have adopted the corridor approach for the amortization of actuarial differences.

11. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Outstanding balance at fiscal year-end:			
Short-term bank loans (a).....	¥151,200	¥191,100	\$1,698,876
Weighted-average interest rate at year-end:			
Short-term bank loans.....	0.7%	1.0%	0.7%

(a) The total amounts of short-term loans with collateral as of February 28, 2010 and February 28, 2009 are ¥3,400 million (\$38,202 thousand) and ¥3,000 million, respectively (Note 15).

Long-term debt at February 28, 2010 and February 28, 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2010 to 2024 with interest rates ranging from 0.6% to 7.1% (b)	¥ 323,625	¥ 353,037	\$ 3,636,235
Lease obligations	22,188	15,842	249,303
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013.....	39,997	39,996	449,404
1.68% unsecured straight bonds, due June 19, 2015.....	29,990	29,989	336,966
1.94% unsecured straight bonds, due June 20, 2018.....	29,980	29,977	336,853
Ito-Yokado Co., Ltd.:			
1.96% unsecured straight bonds, due March 29, 2010.....	20,000	20,000	224,719
0.65% unsecured straight bonds, due September 18, 2009.....	—	50,000	—
Akachan Honpo Co., Ltd.:			
0.53% unsecured straight bonds, due March 31, 2010.....	60	140	674
0.7% unsecured straight bonds, due March 31, 2009.....	—	62	—
0.73% unsecured straight bonds, due March 25, 2010.....	125	375	1,404
1.32% unsecured straight bonds, due March 25, 2011.....	300	500	3,370
Seven Bank, Ltd.:			
1.45% unsecured straight bonds, due December 20, 2011.....	36,000	36,000	404,494
1.67% unsecured straight bonds, due December 20, 2013.....	24,000	24,000	269,662
0.74% unsecured straight bonds, due June 20, 2012.....	10,000	—	112,359
1.04% unsecured straight bonds, due June 20, 2014.....	20,000	—	224,719
7-Eleven, Inc.:			
Commercial paper.....	16,208	18,688	182,112
	572,476	618,609	6,432,314
Current portion of long-term debt	(103,402)	(155,259)	(1,161,820)
	¥ 469,074	¥ 463,349	\$ 5,270,494

(b) The total amounts of long-term debt with collateral as of February 28, 2010 and February 28, 2009 are ¥184,807 million (\$2,076,483 thousand) and ¥138,877 million, respectively (Note 15).

The aggregate annual maturities of long-term debt are as follows:

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2011.....	¥103,402	\$1,161,820
2012.....	161,223	1,811,494
2013.....	83,352	936,539
2014.....	91,803	1,031,494
2015.....	40,458	454,584
Thereafter.....	92,236	1,036,359
	¥572,476	\$6,432,314

12. LEASES

(1) Finance leases

As described in Note 2 (7), under the existing accounting standards, 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.

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss and net book value, including the interest portion, as of February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Furniture, fixtures and equipment:			
Acquisition cost.....	¥94,147	¥98,587	\$1,057,831
Accumulated depreciation.....	(52,802)	(39,056)	(593,280)
Accumulated impairment loss	(293)	(329)	(3,292)
Net book value.....	¥41,051	¥59,201	\$ 461,247
Software:			
Acquisition cost.....	¥ 659	¥ 981	\$ 7,404
Accumulated depreciation.....	(295)	(319)	(3,314)
Net book value.....	¥ 363	¥ 661	\$ 4,078
Lease payments	¥18,470	¥17,854	\$ 207,528
Reversal of allowance for impairment loss on leased assets	¥ 197	¥ 123	\$ 2,213
Depreciation expense (a) and (b)	¥18,667	¥17,978	\$ 209,741
Impairment loss	¥ 161	¥ 210	\$ 1,808

(a) Depreciation expense included the interest portion.

(b) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Company and its consolidated subsidiaries' finance leases, including the interest portion, as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Due within one year.....	¥16,940	¥18,675	\$190,337
Due over one year.....	24,768	41,518	278,292
Total.....	¥41,708	¥60,193	\$468,629
Balance of impairment loss account on leased assets included in the outstanding future lease payments.....	¥ 293	¥ 329	\$ 3,292

As lessor:

A summary of acquisition cost, accumulated depreciation and net book value as of February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Furniture, fixtures and equipment:			
Acquisition cost.....	¥21,522	¥27,008	\$241,820
Accumulated depreciation.....	(13,322)	(14,089)	(149,685)
Net book value.....	¥ 8,199	¥12,918	\$ 92,123
Lease income	¥ 4,213	¥ 4,938	\$ 47,337
Depreciation expense	¥ 3,867	¥ 4,546	\$ 43,449
Interest income (c)	¥ 358	¥ 451	\$ 4,022

(c) Allocation of interest income to each period is computed using the interest method.

The future lease income of the Company and its consolidated subsidiaries' finance leases as of February 28, 2010 and February 28, 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Due within one year.....	¥3,525	¥ 4,497	\$39,606
Due over one year.....	5,044	8,825	56,674
Total.....	¥8,570	¥13,323	\$96,292

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2010 and February 28, 2009 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Due within one year.....	¥ 61,273	¥ 59,651	\$ 688,460
Due over one year.....	380,180	379,812	4,271,685
Total.....	¥441,454	¥439,464	\$4,960,157

13. NET ASSETS

Net assets comprise four subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, subscription rights to shares and minority interests in consolidated subsidiaries.

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for the fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of the Company in accordance with the Law.

At the annual shareholders' meeting, held on May 27, 2010, the shareholders approved cash dividends amounting to ¥25,297 million (\$284,235 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. STOCK OPTIONS

Stock option expense that is accounted for as “Selling, general and administrative expenses” on the Consolidated Statements of Income for the fiscal years ended February 28, 2010 and February 28, 2009 amounted to ¥369 million (\$4,146 thousand) and ¥391 million, respectively.

(1) The Company

A. Outline of stock options

	First grant	Second grant
Title and number of grantees.....	4 directors of the Company	92 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options (a).....	15,900 common shares	95,800 common shares
Grant date	August 6, 2008	August 6, 2008
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries
Intended service period	No provisions	No provisions
Exercise period.....	From May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038

	Third grant	Fourth grant
Title and number of grantees.....	6 directors of the Company	106 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options (a).....	24,000 common shares	129,700 common shares
Grant date	June 15, 2009	June 15, 2009
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries
Intended service period	No provisions	No provisions
Exercise period.....	From February 28, 2010 to June 15, 2029	From February 28, 2010 to June 15, 2039

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2010. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2010:

Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested				
As of February 28, 2009	15,900	94,500	—	—
Granted	—	—	24,000	129,700
Forfeited	—	2,900	—	—
Vested	15,900	91,600	24,000	129,700
Outstanding.....	—	—	—	—
After vested				
As of February 28, 2009	—	—	—	—
Vested	15,900	91,600	24,000	129,700
Exercised.....	—	7,600	—	—
Forfeited	—	—	—	—
Outstanding.....	15,900	84,000	24,000	129,700
Price information				
Exercise price	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)
Average exercise price.....	—	¥223,000 per subscription to share (\$2,505 per subscription to share)	—	—
Fair value at the grant date (a)	¥307,000 per subscription to share (\$3,449 per subscription to share)	—	¥204,500 per subscription to share (\$2,297 per subscription to share)	¥211,100 per subscription to share (\$2,371 per subscription to share)

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of the Company.

C. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of Third grant of subscription rights to shares and Fourth grant of subscription rights to shares during the fiscal year ended February 28, 2010 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	Third grant	Fourth grant
Expected volatility of the underlying stock (a)	36.23%	36.23%
Remaining expected life of the option (b).....	6 years and 10 month	5 years and 6 month
Expected dividends on the stock (c).....	¥56 per share (\$0.62 per share)	¥56 per share (\$0.62 per share)
Risk-free interest rate during the expected option term (d)	1.12%	0.93%

(a) Calculated based on the actual stock prices during the three years and nine months from September 1, 2005 to June 15, 2009.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from valuation dates to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended February 28, 2009.

(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of 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 options that have actually forfeited is reflected.

(2) Seven Bank, Ltd.

A. Outline of stock options

	First grant-1	First grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	3 executive officers of Seven Bank, Ltd
Number of stock options (a).....	184 common shares	21 common shares
Grant date	August 12, 2008	August 12, 2008
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director of Seven Bank, Ltd.	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of Seven Bank, Ltd.
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038

	Second grant-1	Second grant-2
Title and number of grantees	4 directors of Seven Bank, Ltd.	5 executive officers of Seven Bank, Ltd
Number of stock options (a).....	171 common shares	38 common shares
Grant date	August 3, 2009	August 3, 2009
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director of Seven Bank, Ltd.	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of Seven Bank, Ltd.
Intended service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2010. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2010:

Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested				
As of February 28, 2009	—	—	—	—
Granted	—	—	171	38
Forfeited	—	—	—	—
Vested	—	—	171	38
Outstanding.....	—	—	—	—
After vested				
As of February 28, 2009	184	21	—	—
Vested	—	—	171	38
Exercised.....	27	—	—	—
Forfeited	—	—	—	—
Outstanding.....	157	21	171	38
Price information				
	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)	¥1 per share (\$0.01 per share)
Average exercise price.....	¥251,300 per subscription to share (\$2,823 per subscription to share)	—	—	—
Fair value at the grant date (a)	—	¥236,480 per subscription to share (\$2,657 per subscription to share)	¥221,862 per subscription to share (\$2,492 per subscription to share)	¥221,862 per subscription to share (\$2,492 per subscription to share)

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1 common share of Seven Bank, Ltd.

C. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of Second grant-1 of subscription rights to shares and Second grant-2 of subscription rights to shares during the fiscal year ended February 28, 2010 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	Second grant-1	Second grant-2
Expected volatility of the underlying stock (a).....	34.55%	34.55%
Remaining expected life of the option (b).....	5 years	5 years
Expected dividends on the stock (c).....	¥4,900 per share (\$55.05 per share)	¥4,900 per share (\$55.05 per share)
Risk-free interest rate during the expected option term (d).....	0.745%	0.745%

(a) Although shares of Seven Bank, Ltd. have been listed on the Jasadq Securities Exchange since February 29, 2008, there is not enough share price data to make a reasonable estimation of expected volatility of the share price. Therefore, the expected volatility was calculated based upon share price data of similar companies during the five years from July 25, 2004 to August 3, 2009.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from June 2009 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2009.

(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of 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 options that have actually forfeited is reflected.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2010, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥570 million (\$6,404 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥187 million (\$2,101 thousand).

As of February 28, 2009, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥724 million. The amount of guarantee in relation to the loans of a certain store lessor was ¥261 million.

(2) Pledged assets

A. The amount of assets pledged as collateral by the Company and its consolidated subsidiaries for their loans from certain financial institutions as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥ 49,904	¥ 38,592	\$ 560,719
Furniture, fixtures and equipment	—	625	—
Land	100,573	66,901	1,130,033
Other intangible assets	10,151	10,151	114,056
Investments in securities	87,034	59,020	977,910
Long-term leasehold deposits	4,298	4,451	48,292
Total	¥251,962	¥179,743	\$2,831,033

Debts for the pledged assets above as of February 28, 2010 are as follows: short-term loans, ¥3,400 million (\$38,202 thousand); long-term loans (including current portion), ¥184,807 million (\$2,076,483 thousand); long-term accounts payable, ¥994 million (\$11,168 thousand); and long-term deposits received from tenants and franchised stores, ¥154 million (\$1,730 thousand).

Debts for the pledged assets above as of February 28, 2009 are as follows: call money, ¥7,300 million; short-term loans, ¥3,000 million; long-term loans (including current portion), ¥138,877 million; long-term accounts payable, ¥1,105 million; and long-term deposits received from tenants and franchised stores, ¥171 million.

B. The amount of assets pledged as collateral for the debts of affiliates and vendors as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings	¥ 890	¥ 945	\$10,000
Land	2,032	2,032	22,831
Total	¥2,922	¥2,978	\$32,831

Debts of affiliates and vendors for the pledged assets above as of February 28, 2010 and February 28, 2009 are ¥3,802 million (\$42,719 thousand) and ¥3,985 million, respectively.

C. Other

As of February 28, 2010

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,627 million (\$310,415 thousand) and ¥69 million (\$775 thousand), respectively. The amount of assets pledged as collateral for installment sales are ¥1,586 million (\$17,820 thousand). In addition, ¥969 million (\$10,887 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2009

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,572 million and ¥59 million, respectively. The amount of assets pledged as collateral for installment sales are ¥1,670 million. In addition, ¥909 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Loan commitment

IY Card Service Co., Ltd. conducts a cash loan business which is associated with its credit card business. Unused credit balance related to loan commitment in a cash loan business as of February 28, 2010 and February 28, 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Credit availability of loan commitment	¥480,933	¥490,862	\$5,403,741
Outstanding balance.....	(18,832)	(19,538)	(211,595)
Unused credit balance.....	¥462,100	¥471,323	\$5,192,134

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

16. SPECIAL PURPOSE CORPORATION

As of February 28, 2010:

Summaries of Special Purpose Corporation (“SPC”) and transactions with the SPC

Sogo & Seibu Co., Ltd. (“Sogo & Seibu”), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to Asset Ikesei Inc., an SPC.

Concurrently, Sogo & Seibu has entered into a silent partnership agreement with the SPC with a certain investment. Also, Sogo & Seibu

leased back such store properties from the SPC who has the beneficiary right of the trust. Under these agreements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

Total assets and liabilities of Asset Ikesei Inc. as of July 31, 2009 (the latest year-end) were ¥128,217 million (\$1,440,640 thousand) and ¥128,196 million (\$1,440,404 thousand), respectively.

In addition, Sogo & Seibu did not have voting rights relating to the investment and did not dispatch any officer or employee.

A summary of transaction amounts with the SPC, etc., for the fiscal year ended February 28, 2010 is as follows:

As of February 28, 2010	Second grant
Accounts receivable	¥3,057 million (\$34,348 thousand)
Amount of investment in the silent partnership.....	¥5,850 million (\$65,730 thousand)
Fiscal year ended February 28, 2010	Second grant
Distribution of profit from the silent partnership.....	¥5,588 million (\$62,786 thousand)
Lease payments	¥10,800 million (\$121,348 thousand)

Sogo & Seibu has entered into a lease agreement with the trustee. Lease payments were paid to the trustee based on the lease agreement.

As of February 28, 2009:

Summaries of Special Purpose Corporation (“SPC”) and transactions with the SPC

THE SEIBU DEPARTMENT STORES, LTD. (“SEIBU”), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to Asset Ikesei Inc., an SPC.

Concurrently, SEIBU has entered into a silent partnership agreement with the SPC with a certain investment. Also, SEIBU leased back such

store properties from the SPC who has the beneficiary right of the trust. Under these agreements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

Total assets and liabilities of Asset Ikesei Inc. as of July 31, 2008 (the latest year-end) were ¥125,502 million and ¥125,482 million, respectively.

In addition, SEIBU did not have voting rights relating to the investment and did not dispatch any officer or employee.

A summary of transaction amounts with the SPC, etc., for the fiscal year ended February 28, 2009 is as follows:

As of February 28, 2009	
Accounts receivable	¥4,375 million
Amount of investment in the silent partnership.....	¥5,850 million
Fiscal year ended February 28, 2009	
Distribution of profit from the silent partnership.....	¥5,366 million
Lease payments	¥10,800 million

SEIBU has entered into a lease agreement with the trustee. Lease payments were paid to the trustee based on the lease agreement.

17. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the “Notes and accounts payable: Trade for franchised stores” account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. (“SEJ”). SEJ

centralizes all purchasing procedures for merchandise purchased by an individual franchised store and makes collective payments to all vendors on behalf of the franchisees.

18. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from SEJ’s franchised stores is included in “Other operating revenues.”

The franchise commission from franchised stores and concurrent net sales of franchised stores are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Franchise commission from franchised stores	¥ 402,107	¥ 394,863	\$ 4,518,056
Net sales of franchised stores	2,657,774	2,621,567	29,862,629

(2) Inventory valuation losses included in “Cost of sales” are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Inventory valuation losses.....	¥ —	¥5,367	\$ —

(3) Major items included in “Gain on sales of property and equipment” are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥ 268	¥1,613	\$ 3,011
Land	880	3,540	9,887
Others	20	176	224
Total.....	¥1,168	¥5,330	\$13,123

(4) Major items included in “Loss on disposals of property and equipment” are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Buildings and structures	¥3,194	¥3,568	\$35,887
Furniture, fixtures and equipment	736	811	8,269
Others	2,212	1,805	24,853
Total.....	¥6,143	¥6,185	\$69,022

(5) Amortization of goodwill in other expenses are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Sogo & Seibu	¥39,130	¥ —	\$439,662

Due to devaluation of Sogo & Seibu’s shares

Valuation loss on subsidiaries’ stock was recorded in the Non-Consolidated Statement of Income for the fiscal year ended February 28, 2010 due to the devaluation of Sogo & Seibu’s shares, which is a consolidated subsidiary.

As a result, amortization of goodwill related to this matter totaled ¥39,130 million (\$439,662 thousand).

(6) Major items included in “Selling, general and administrative expenses” are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Advertising and decoration expenses	¥100,388	¥106,575	\$1,127,955
Salaries and wages.....	394,460	423,866	4,432,134
Provision for allowance for bonuses to employees.....	14,331	15,645	161,022
Legal welfare expenses	47,954	50,213	538,808
Land and building rent.....	256,712	254,337	2,884,404
Depreciation and amortization	126,408	131,813	1,420,314
Utility expenses.....	94,801	105,417	1,065,179
Store maintenance and repair	69,316	73,101	778,831

19. RELATED PARTY TRANSACTIONS

Fiscal year ended February 28, 2010:

(Additional information)

Effective from the fiscal year ended February 28, 2010, ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures," and its implementation guidance, ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures," were applied.

Pursuant to the new accounting standard, there was no change of scope for related party disclosures.

Transaction between consolidated subsidiaries of the Company and related parties

A director of the Company and primary institutional shareholders

Attribution	Name	Address	Capital and investments	Business or title	Voting interest (held)
Close relative of the director	Yasuhiro Suzuki	—	—	—	Directly 0.0%

Business relationship	Detail of transaction	Transaction amount	Account	Year-end balance
—	Purchase of subsidiary's shares	¥199 million (\$2,235 thousand)	—	—

Notes: (1) The transaction amounts are exclusive of consumption taxes.
(2) The purchase price was decided taking into account of third party's appraisal.
(3) Mr. Yasuhiro Suzuki is a son of Toshifumi Suzuki, who is Chairman of the Company.

Fiscal year ended February 28, 2009:

There were no related party transactions during the fiscal year ended February 28, 2009.

20. SEGMENT INFORMATION

(1) Business segments

Fiscal year ended February 28, 2010	Millions of yen								Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	
Revenues:									
Customers.....	¥1,967,934	¥2,012,349	¥922,466	¥85,380	¥ 97,493	¥25,673	¥5,111,297	¥ —	¥5,111,297
Intersegment.....	621	4,208	380	1,040	12,951	7,995	27,198	(27,198)	—
Total revenues.....	1,968,555	2,016,558	922,847	86,420	110,444	33,669	5,138,495	(27,198)	5,111,297
Operating expenses.....	1,784,718	2,002,380	921,481	89,161	80,291	33,102	4,911,134	(26,503)	4,884,631
Operating income (loss).....	¥ 183,837	¥ 14,178	¥ 1,366	¥ (2,741)	¥ 30,152	¥ 567	¥ 227,360	¥ (694)	¥ 226,666
Assets.....	¥1,104,209	¥1,096,598	¥612,326	¥24,636	¥1,175,963	¥16,770	¥4,030,505	¥(356,900)	¥3,673,605
Depreciation and amortization.....	¥ 66,158	¥ 24,335	¥ 17,417	¥ 1,270	¥ 22,246	¥ 588	¥ 132,017	¥ 214	¥ 132,232
Impairment loss on property and equipment.....	¥ 8,816	¥ 11,382	¥ 4,589	¥ 2,819	¥ 445	¥ —	¥ 28,052	—	28,052
Capital expenditures.....	¥ 85,510	¥ 55,539	¥ 17,785	¥ 698	¥ 12,712	¥ 3,640	¥ 175,887	¥ 1,139	¥ 177,027

Fiscal year ended February 28, 2009	Millions of yen								Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	
Revenues:									
Customers.....	¥2,306,711	¥2,121,860	¥993,816	¥101,529	¥ 98,608	¥27,423	¥5,649,948	¥ —	¥5,649,948
Intersegment.....	1,979	3,169	60	1,181	26,257	7,656	40,305	(40,305)	—
Total revenues.....	2,308,690	2,125,029	993,877	102,711	124,866	35,079	5,690,254	(40,305)	5,649,948
Operating expenses.....	2,095,323	2,100,286	975,542	105,659	99,381	33,010	5,409,203	(41,120)	5,368,082
Operating income (loss).....	¥ 213,367	¥ 24,742	¥ 18,335	¥ (2,948)	¥ 25,485	¥ 2,069	¥ 281,051	¥ 814	¥ 281,865
Assets.....	¥1,267,179	¥1,160,128	¥704,695	¥ 58,206	¥1,055,492	¥21,543	¥4,267,245	¥(540,184)	¥3,727,060
Depreciation and amortization.....	¥ 67,299	¥ 26,115	¥ 20,004	¥ 2,210	¥ 24,532	¥ 346	¥ 140,508	¥ 20	¥ 140,529
Impairment loss on property and equipment.....	¥ 7,851	¥ 15,665	¥ 10,848	¥ 3,993	¥ 1,014	¥ —	¥ 39,372	¥ —	¥ 39,372
Capital expenditures.....	¥ 85,464	¥ 40,460	¥ 11,754	¥ 1,046	¥ 23,801	¥ 843	¥ 163,371	¥ 9	¥ 163,381

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2010	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers.....	\$22,111,617	\$22,610,662	\$10,364,786	\$ 959,325	\$ 1,095,426	\$288,460	\$57,430,303	\$ —	\$57,430,303
Intersegment.....	6,977	47,280	4,269	11,685	145,516	89,831	305,595	(305,595)	—
Total revenues.....	22,118,595	22,657,955	10,369,067	971,011	1,240,943	378,303	57,735,898	(305,595)	57,430,303
Operating expenses.....	20,053,011	22,498,651	10,353,719	1,001,808	902,146	371,932	55,181,280	(297,786)	54,883,494
Operating income (loss).....	\$ 2,065,584	\$ 159,303	\$ 15,348	\$ (30,797)	\$ 338,786	\$ 6,370	\$ 2,554,606	\$ (7,797)	\$ 2,546,808
Assets.....	\$12,406,842	\$12,321,325	\$ 6,880,067	\$ 276,808	\$13,213,067	\$188,426	\$45,286,573	\$(4,010,112)	\$41,276,460
Depreciation and amortization.....	\$ 743,348	\$ 273,426	\$ 195,696	\$ 14,269	\$ 249,955	\$ 6,606	\$ 1,483,337	\$ 2,404	\$ 1,485,752
Impairment loss on property and equipment.....	\$ 99,056	\$ 127,887	\$ 51,561	\$ 31,674	\$ 5,000	\$ —	\$ 315,191	\$ —	\$ 315,191
Capital expenditures.....	\$ 960,786	\$ 624,033	\$ 199,831	\$ 7,842	\$ 142,831	\$ 40,898	\$ 1,976,258	\$ 12,797	\$ 1,989,067

Notes:

- The classification of business segments is made by the type of products and services and the type of sales.
- Major businesses in each segment are as follows:
 - Convenience store operations..... Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven"
 - Superstore operations..... Superstores, supermarkets and specialty shops and others
 - Department store operations..... Sogo & Seibu Co., Ltd. and other companies included in the department store business
 - Food services..... Restaurant operations, meal provision service business (company cafeterias, hospitals, schools) and fast food operations
 - Financial services..... Bank, credit card and lease business
 - Others..... IT business and other services
- Unallocable operating expenses included in "Eliminations/corporate" represent the Company's selling, general and administrative expenses, and totaled ¥7,459 million (\$83,808 thousand) for the fiscal year ended February 28, 2010 and ¥7,061 million for the fiscal year ended February 28, 2009.
- Corporate assets included in "Eliminations/corporate" mainly represent deposits held by subsidiaries and affiliates and totaled ¥374,450 million (\$4,207,303 thousand) for the fiscal year ended February 28, 2010.
- Changes in accounting policies
(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)
As described in changes in accounting policies, the Company has applied PITF No. 18.
As a result of this application, the impact on operating income decreased by ¥7,268 million (\$81,662 thousand) for Convenience store operations, compared to the results that have been obtained under the former method.
- Change in scope of corporate assets
Deposits held by subsidiaries and affiliates, which were included in each business segment in the past, were included in corporate assets from the fiscal year ended February 28, 2010 due to revising the policy of capital management.
Each segment's assets for the fiscal year ended February 28, 2009 if it was accounted for in the same method as the fiscal year ended February 28, 2010 is as follows.

Fiscal year ended February 28, 2009

Millions of yen

	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Assets	¥1,135,272	¥1,182,199	¥704,695	¥32,551	¥1,055,492	¥13,243	¥4,123,454	¥(396,394)	¥3,727,060

Thousands of U.S. dollars (Note 3)

	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Assets	\$12,755,865	\$13,283,134	\$7,917,921	\$365,741	\$11,859,460	\$148,797	\$46,330,943	\$(4,453,865)	\$41,877,078

(2) Geographic area segments

Fiscal year ended February 28, 2010	Millions of yen					
	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers.....	¥3,602,579	¥1,428,156	¥80,561	¥5,111,297	¥ —	¥5,111,297
Intersegment.....	402	2,886	—	3,289	(3,289)	—
Total revenues.....	3,602,982	1,431,042	80,561	5,114,586	(3,289)	5,111,297
Operating expenses.....	3,405,363	1,404,049	78,540	4,887,953	(3,322)	4,884,631
Operating income.....	¥ 197,618	¥ 26,992	¥ 2,021	¥ 226,633	¥ 32	¥ 226,666
Assets.....	¥3,207,405	¥ 431,747	¥35,065	¥3,674,217	¥ (612)	¥3,673,605

Fiscal year ended February 28, 2009	Millions of yen					
	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers.....	¥3,806,371	¥1,763,175	¥80,401	¥5,649,948	¥ —	¥5,649,948
Intersegment.....	346	2,993	—	3,339	(3,339)	—
Total revenues.....	3,806,717	1,766,169	80,401	5,653,288	(3,339)	5,649,948
Operating expenses.....	3,561,469	1,731,728	78,072	5,371,270	(3,187)	5,368,082
Operating income.....	¥ 245,248	¥ 34,441	¥ 2,328	¥ 282,017	¥ (151)	¥ 281,865
Assets.....	¥3,220,265	¥ 487,289	¥29,326	¥3,736,880	¥(9,820)	¥3,727,060

Fiscal year ended February 28, 2010	Thousands of U.S. dollars (Note 3)					
	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers.....	\$40,478,415	\$16,046,696	\$905,179	\$57,430,303	\$ —	\$57,430,303
Intersegment.....	4,516	32,426	—	36,955	(36,955)	—
Total revenues.....	40,482,943	16,079,123	905,179	57,467,258	(36,955)	57,430,303
Operating expenses.....	38,262,505	15,775,831	882,471	54,920,820	(37,325)	54,883,494
Operating income.....	\$ 2,220,426	\$ 303,280	\$ 22,707	\$ 2,546,438	\$ 359	\$ 2,546,808
Assets.....	\$36,038,258	\$ 4,851,089	\$393,988	\$41,283,337	\$ (6,876)	\$41,276,460

Notes:

1. The classification of geographic area segments is made according to geographical distances.

2. "Others" consists of the business results in the People's Republic of China ("P.R.C.").

3. Changes in accounting policies

(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

As described in changes in accounting policies, the Company has applied PITF No. 18.

As a result of this application, the impact on operating income decreased by ¥7,268 million (\$81,662 thousand) for North America, compared to the results that have been obtained under the former method.

(3) Overseas sales

Fiscal year ended February 28, 2010	Millions of yen		
	North America	Others	Total
Overseas sales.....	¥1,428,156	¥80,561	¥1,508,717
Consolidated sales.....	—	—	5,111,297
Percentage of overseas sales to consolidated sales (%).....	27.9	1.6	29.5

Fiscal year ended February 28, 2009	Millions of yen		
	North America	Others	Total
Overseas sales.....	¥1,763,175	¥80,401	¥1,843,576
Consolidated sales.....	—	—	5,649,948
Percentage of overseas sales to consolidated sales (%).....	31.2	1.4	32.6

Fiscal year ended February 28, 2010	Thousands of U.S. dollars (Note 3)		
	North America	Others	Total
Overseas sales.....	\$16,046,696	\$905,179	\$16,951,876
Consolidated sales.....	—	—	57,430,303
Percentage of overseas sales to consolidated sales (%).....	27.9	1.6	29.5

Notes:

1. The classification of overseas sales area segments is made according to geographical distances.
2. "Others" consists of sales in the P.R.C.
3. "Overseas sales" represents net sales and other operating revenues of consolidated subsidiaries in countries and areas outside of Japan.

21. SUBSEQUENT EVENTS

1. Cash dividend

Subsequent to February 28, 2010, the Company's Board of Directors declared a year-end cash dividend of ¥25,297 million (\$284,235 thousand) to be payable on May 28, 2010 to shareholders on record on February 28, 2010.

The dividend declared was approved by the shareholders at the meeting held on May 27, 2010.

2. Acquisition and cancellation of treasury stock

On April 8, 2010, the Company's Board of Directors approved the acquisition of treasury stock pursuant to Article 165-3 and Article 156 of the Law, and the cancellation of treasury stock thereby acquired, pursuant to Article 178 of the Law.

(1) Reason for the acquisition of treasury stock

To further enhance returns to shareholders and to achieve greater capital efficiency in management.

(2) Details of the acquisition

(a) Type of shares to be acquired

Seven & i Holdings common stock

(b) Number of shares to be acquired

Up to 20,000,000 shares, representing 2.21% of issued shares (excluding treasury stock)

(c) Total amount of acquisition

Up to ¥50,000 million (\$561,797 thousand)

(d) Period of acquisition

From April 15, 2010 to May 20, 2010

(e) Method of acquisition

Open market purchase

(3) Details of the cancellation

(a) Type of shares to be cancelled

Seven & i Holdings common stock

(b) Number of shares to be cancelled

20,000,000 shares (planned), representing 2.21% of issued shares prior to cancellation (excluding treasury stock). All of the shares acquired as described above in item (2), will be cancelled.

(c) Number of issued shares after cancellation of treasury stock

886,441,983 shares (planned)

(d) Scheduled date of cancellation

June 30, 2010

Independent Auditors' Report

To the Shareholders and Board of Directors of
Seven & i Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

- (1) As discussed in Note 2(17) to the consolidated financial statements, the Company adopted the new accounting standard for the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" as of March 1, 2009.
- (2) As discussed in Note 21-2 to the consolidated financial statements, on April 8, 2010, the Board of Directors of Seven & i Holdings Co., Ltd. approved the acquisition and the cancellation of treasury stock.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 27, 2010