Financial Section

Contents

Consolidated Financial Summary

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2011, 2010 and 2009

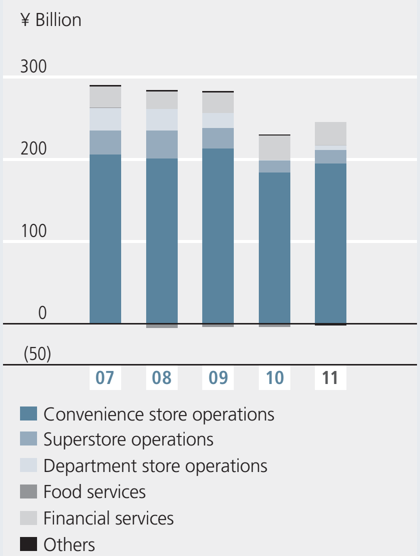
	Millions of yen			Thousands of U.S. dollars (Note A)
	2011	2010	2009	**2011**
For the fiscal year:				
Revenues from operations	**¥5,119,739**	¥5,111,297	¥5,649,948	**$62,435,841**
Operating income	**243,346**	226,666	281,865	**2,967,634**
Income before income taxes and minority interests	**223,291**	143,104	215,115	**2,723,060**
Net income	**111,961**	44,875	92,336	**1,365,378**
Capital expenditures (Note B)	**338,656**	211,189	188,943	**4,129,951**
Depreciation and amortization (Note C)	**132,421**	132,232	140,529	**1,614,890**
At fiscal year-end:				
Total assets	**¥3,732,111**	¥3,673,605	¥3,727,060	**$45,513,548**
Cash and cash equivalents	**656,747**	717,320	663,483	**8,009,109**
Total current assets	**1,406,594**	1,460,186	1,397,102	**17,153,585**
Total current liabilities	**1,348,728**	1,263,370	1,254,927	**16,447,902**
Long-term debt	**472,111**	469,074	463,349	**5,757,451**
Total net assets	**1,776,512**	1,793,940	1,860,672	**21,664,780**

	Yen			U.S. dollars (Note A)
	2011	2010	2009	**2011**
Per share information:				
Net income (Basic)	**¥126.21**	¥49.67	¥100.54	**$1.53**
Net income (Diluted)	**126.15**	49.66	100.54	**1.53**
Cash dividends	**57.00**	56.00	56.00	**0.69**
Financial ratios:				
Operating income ratio (Note D)	**4.8%**	4.4%	5.0%	**4.8%**
Net income ratio (Note D)	**2.2%**	0.9%	1.6%	**2.2%**
ROE	**6.5%**	2.6%	4.9%	**6.5%**
ROA	**3.0%**	1.2%	2.4%	**3.0%**

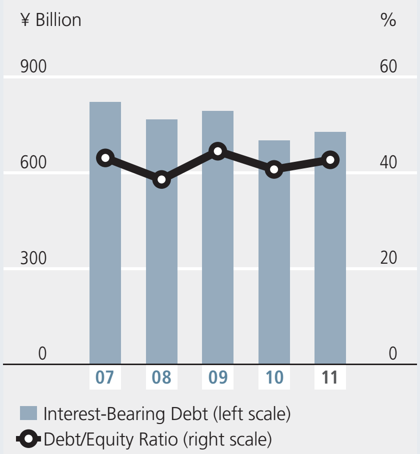
Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82=US$1, the approximate rate of exchange prevailing on February 28, 2011.
(B) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.
(C) Depreciation and amortization 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



Management's Discussion and Analysis

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2011, Seven & i Holdings ("the Company") recorded revenues from operations of ¥5,119.7 billion, an increase of ¥8.4 billion year on year, and operating income of ¥243.3 billion, a gain of ¥16.6 billion.

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, strengthened its store openings in urban areas and aggressively relocated stores to favorable locations. As a result, the number of domestic stores reached 13,232 at the end of the fiscal year, an increase of 479 stores from the end of the previous fiscal year. In merchandising, targeting the realization of "close by convenient stores," SEJ bolstered the lineup of daily products that are frequently purchased, centered on *Seven Premium* private-brand products. In services, SEJ took steps to further increase convenience, such as beginning to accept payment by credit card from June 2010. Sales of midsummer products, such as beverages and ice cream, rose in the hot summer, and sales of daily products, centered on fast foods, continued to improve. In addition, due to an increase in tobacco excise taxes in October 2010, sales of cigarettes increased. Consequently, sales at existing stores were up 2.2% year on year. As a result, total store sales, which comprise corporate and franchised store sales, rose 5.8%, to ¥2,947.6 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 5.1%, to ¥828.2 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, were up 5.4%, to ¥792.9 billion, and sales of daily food items, which include bread, pastries, and milk, were up 6.7%, to ¥359.6 billion. Sales of nonfood products, which include cigarettes and sundries, were up 6.5%, to ¥966.8 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly managed stores, were up 2.6%, to ¥549.1 billion.

Overseas, 7-Eleven, Inc. (SEI) operated 6,610 stores in North America as of the end of December 2010. SEI continued to focus on the development and sale of fresh food products and private-brand products, and in addition, an increase in the selling price of cigarettes and other tobacco products had a positive effect. On a dollar basis, merchandise sales at existing stores in the United States increased year on year. Consequently, although the appreciation of the yen (¥87.79 to US$1.00) had an effect, SEI's net sales rose 3.6%, to ¥1,445.5 billion, due primarily to higher gasoline prices. In China, SEVEN-ELEVEN (BEIJING) had 94 stores in Beijing and six in Tianjin as of the end of December 2010. In each area, stores met the needs of local customers and sales recorded favorable progress.

As a result, revenues from operations in convenience store operations were ¥2,036.4 billion, up 3.4% year on year, and operating income was ¥195.4 billion, up 6.3% year on year. The appreciation of the yen had the effect of reducing revenues from operations by about ¥98.0 billion and operating income by about ¥2.2 billion.

Ito-Yokado is the core operating company in superstore operations. In apparel, we worked to strengthen development and sales of original products, such as functional inner wear, and we launched a new brand of women's wear. In addition, in frequently purchased items, centered on food, we enhanced our lineups of reasonably priced products and bolstered marketing activities targeting card members. However, consumers continued to strongly limit their spending, and lingering summer heat had an adverse effect. Consequently, sales at existing stores were down 2.5% year on year, and net sales were down 1.1%, to ¥1,349.3 billion. By product category, apparel sales in the fiscal year under review were up 6.2%, to ¥255.0 billion; sales of household goods declined 14.1%, to ¥189.4 billion; and sales of food were down 1.1%, to ¥656.4 billion. From the year under review, a portion of the sales of apparel and household goods have been reclassified due to a change in product categories. If the previous year's figures were to be adjusted in the same manner, sales of apparel in the year under review would have declined 4.4% year on year, and sales of household goods would have declined 2.6%.

In store initiatives, six stores were opened, including *Ario* shopping centers, while 10 stores were closed, principally stores in suburban areas. Consequently, Ito-Yokado had 170 stores at the end of the fiscal year. York-Benimaru opened seven stores and closed one, for a total of 170 stores at fiscal year-end.

As a result, revenues from operations in superstore operations were ¥1,981.6 billion, a decrease of 1.7% from the previous fiscal year, and operating income was ¥15.7 billion, an increase of 10.8% from the previous fiscal year.

Sogo & Seibu is the core operating company in department store operations. In these operations, we are implementing initiatives to concentrate management resources and to increase asset efficiency. To that end, Sogo & Seibu closed SEIBU Yurakucho in December 2010 and has decided to close Sogo Hachioji in January 2012. At SEIBU Ikebukuro, the flagship store of Sogo & Seibu, we completed the remodeling that had continued for about three years, and we held the grand reopening in September 2010. Apparel sales were sluggish, due in part to lingering summer heat, but we worked to invigorate sales areas through remodeling, to bolster sales capabilities, and to aggressively advance sales promotion measures targeting card members. As a result, the rate of growth in sales at existing stores was flat.

Consequently, revenues from operations in department store operations were ¥915.1 billion, down 0.8%, and operating income was ¥5.6 billion, an increase of 311.4%.

In the restaurant division, which is the core division in food services, we moved ahead with cost cuts targeting improved profitability and we closed 50 restaurants, centered on unprofitable restaurants. On the other hand, in sales, the weather was favorable in the summer, and we had success with initiatives to invigorate existing restaurants through improved core menu items and through strengthened sales promotions. As a result, sales at existing restaurants increased by 0.5% year on year.

Consequently, revenues from operations in food services were ¥80.2 billion, down 7.2%, and operating loss was ¥193 million, compared with an operating loss of ¥2.7 billion a year earlier.

Seven Bank is the core operating company in financial services. Seven Bank took steps to increase the convenience of using its ATMs, such as continuing to install ATMs in new locations inside and outside the Group as well as additional ATMs in Seven-Eleven stores with high numbers of transactions. As of the end of February 2011, Seven Bank had 15,356 installed ATMs, an increase of 786 ATMs. However, due primarily to the implementation of revisions in Japan's Money Lending Business Act, there was a decline in transactions with non-banks through ATMs. Consequently, the daily average transactions per ATM during the fiscal year was 113.1, down 1.3 transactions.

As a result, revenues from operations in financial services were ¥106.9 billion, down 3.2%, and operating income was ¥28.3 billion, down 6.0%.

In others, Seven Net Shopping, which handles IT operations, renewed the *Seven Net Shopping* website. In addition, Ito-Yokado introduced its *Net Supermarket* services to the *Seven Net Shopping* website. In June 2010, we established Seven & i Asset Management, to hold the land, buildings, and rights of leasehold of SEIBU Ikebukuro, the flagship store of Sogo & Seibu. In September 2010, those assets were acquired by Seven & i Asset Management.

Consequently, revenues from operations in others were ¥35.6 billion, up 5.8%, and operating loss was ¥690 million, compared with operating income of ¥567 million a year earlier.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses decreased to ¥20.0 billion, from ¥83.5 billion in the previous fiscal year. This was attributable to the recording of gain on donations received by the Company, to the recording of a gain on liquidation of investment in silent partnership by Sogo & Seibu, and to declines in department store-related amortization of goodwill and impairment loss on property and equipment. Consequently, income before income taxes and minority interests was up ¥80.1 billion, to ¥223.2 billion.

Net Income

Income taxes were ¥102.2 billion, up ¥15.5 billion from the previous fiscal year. After application of tax effect accounting, the effective tax rate was 45.8%.

Consequently, net income was up ¥67.0 billion, to ¥111.9 billion. Net income per share was ¥126.21, an increase of ¥76.54 per share from ¥49.67 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

In the year under review, Seven & i Asset Management, Seven Farm, SEVEN-ELEVEN (CHENGDU), and two other companies were newly added to the scope of consolidation.

Total assets rose ¥58.5 billion, to ¥3,732.1 billion.

Seven Bank's call loans, which are included in other current assets, rose ¥104.0 billion. On the other hand, Seven Bank's ATM-related temporary payments, which are also included in other current assets, declined ¥89.4 billion due to the influence of the day of the week of the last day of February. In addition, cash and cash equivalents declined. Due principally to these factors, total current assets were down ¥53.5 billion, to ¥1,406.5 billion.

Accompanying the acquisition of the fixed assets of SEIBU Ikebukuro, property and equipment, net, increased ¥52.1 billion, principally in land, and intangible assets increased ¥27.1 billion, principally in rights of leasehold. In investments and other assets, investments in securities increased ¥58.5 billion due to the new acquisition of Japanese government bonds and municipal bonds at Seven Bank.

Total liabilities rose ¥75.9 billion, to ¥1,955.5 billion.

Due to repayments, the total of long-term loans and short-term loans declined ¥62.0 billion. In bonds, the Company issued ¥110.0 billion in bonds in June 2010 and Ito-Yokado repaid ¥20.0 billion in bonds in March 2010. Due in part to these factors, bonds increased ¥89.6 billion. Deposits received in banking business increased ¥89.9 billion.

Total net assets decreased ¥17.4 billion, to ¥1,776.5 billion.

Due to the cancellation of treasury stock, capital surplus declined ¥49.1 billion.

Dividends paid were ¥50.0 billion, while net income was ¥111.9 billion. As a result, retained earnings increased ¥61.9 billion. Foreign currency translation adjustments, principally from the translation of SEI's financial statements, declined ¥34.3 billion.

Consequently, net assets per share were up ¥21.12 from a year earlier, to ¥1,927.09, and the owners' equity ratio declined to 45.6%, from 46.9% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") declined ¥60.5 billion, to ¥656.7 billion at fiscal year-end. This decline resulted from the following factors. Cash was provided by operations with high revenue generating capacity, centered on convenience store operations. Cash was also raised by the issuance of bonds by the Company. However, cash was used to open new stores, remodel existing stores, acquire fixed assets of SEIBU Ikebukuro, and acquire treasury stock.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities declined ¥11.6 billion, to ¥310.5 billion. Income before income taxes and minority interest rose ¥80.1 billion, and, at Seven Bank, net change in ATM-related temporary accounts was up ¥99.9 billion. On the other hand, net increase in call loan in banking business declined ¥98.0 billion, and net increase in call money in banking business was down ¥83.5 billion.

(Net Cash Used in Investing Activities)

Net cash used in investing activities was ¥312.0 billion, an increase of ¥196.9 billion from the previous fiscal year. Accompanying the acquisition of the fixed assets of SEIBU Ikebukuro, acquisition of property and equipment increased ¥77.6 billion and acquisition of intangible assets increased ¥62.5 billion. In addition, proceeds from sales of property and equipment declined ¥40.1 billion, and proceeds from withdrawal of negotiable certificates of deposit declined ¥67.0 billion.

(Net Cash Used in Financing Activities)

Net cash used in financing activities was ¥56.2 billion, a decrease of ¥100.4 billion from the previous fiscal year. Proceeds from issuance of bonds was ¥109.6 billion, and payment for redemption of bonds decreased ¥30.2 billion. However, payment for acquisitions of treasury stock increased ¥47.2 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 core 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 40,500 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 food services, as the Group has accomplished considerable results with initiatives for maximizing integration synergies through the merger of three companies that operate restaurants, meal provision services, and fast food, and for implementing business reorganization mainly through closing unprofitable stores, the Group has shifted to a growth strategy through creating a new business model in its restaurant business and enhancing productivity. 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 Seven Card credit card, Millennium Card SAISON credit card, CLUB ON Card SAISON credit card, and *nanaco* electronic money. However, regarding credit card operations, an increase in the default rate, unexpected default losses, or restriction on the total volume of lending pursuant to the Money Lending Business Act, 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 by some internal and/or external factors, the quality of service and competitiveness could deteriorate. 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 in 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 society's trust in the Group. 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 or Other Unpredictable Events

The Group's head office, stores, and facilities for core operations are located in Japan. The Group also operates businesses around the world. Major natural disasters such as earthquakes, typhoons, floods, and tsunamis; fires; power outages; nuclear power plant disasters; wars; illegal activities such as terrorist attacks; or other contingencies could lead to a halt of business activities or incurring expenses related to such damages, which could have a serious impact on the business operations of the Group. If such is the case, its business performance and financial condition could be affected. In particular, the occurrence of a large natural disaster or other event in the Tokyo metropolitan area—where stores for core 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 unpredictable 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 a 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 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 a worsening business climate or 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, 2011 and February 28, 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 656,747**	¥ 717,320	**$ 8,009,109**
Notes and accounts receivable:			
Trade (Note 4)	**122,411**	119,627	**1,492,817**
Financial services	**60,269**	68,243	**734,987**
Franchisees and other	**61,350**	51,635	**748,170**
Allowance for doubtful accounts (Note 4)	**(3,650)**	(4,421)	**(44,512)**
	240,381	235,085	**2,931,475**
Inventories	**161,110**	161,395	**1,964,756**
Deferred income taxes (Note 10)	**30,875**	28,360	**376,524**
Prepaid expenses and other current assets (Note 4)	**317,479**	318,025	**3,871,695**
Total current assets	**1,406,594**	1,460,186	**17,153,585**
Property and equipment, at cost (Notes 7, 8, 13 and 16)	**2,474,901**	2,399,179	**30,181,719**
Less: Accumulated depreciation	**(1,227,077)**	(1,203,470)	**(14,964,353)**
	1,247,823	1,195,709	**15,217,353**
Intangible assets:			
Goodwill	**172,186**	197,126	**2,099,829**
Software and other (Notes 8 and 16)	**152,469**	100,405	**1,859,378**
	324,655	297,531	**3,959,207**
Investments and other assets:			
Investments in securities (Notes 4, 5 and 16)	**227,371**	168,850	**2,772,817**
Long-term loans receivable	**18,675**	19,657	**227,743**
Long-term leasehold deposits (Notes 4 and 16)	**418,585**	438,028	**5,104,695**
Prepaid pension cost (Note 11)	**9,978**	12,149	**121,682**
Deferred income taxes (Note 10)	**20,717**	26,134	**252,646**
Other	**64,158**	62,259	**782,414**
Allowance for doubtful accounts (Note 4)	**(6,450)**	(6,903)	**(78,658)**
	753,037	720,177	**9,183,378**
	¥3,732,111	¥3,673,605	**$45,513,548**

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

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 3) 2011
Current liabilities:			
Short-term loans (Notes 4, 12 and 16)	**¥ 108,330**	¥ 151,200	**$ 1,321,097**
Current portion of long-term debt (Notes 4, 12 and 16)	**175,212**	103,402	**2,136,731**
Notes and accounts payable:			
Trade (Notes 4 and 6)	**178,029**	188,630	**2,171,085**
Trade for franchised stores (Notes 4 and 18)	**106,766**	103,997	**1,302,024**
Other	**113,635**	79,016	**1,385,792**
	398,430	371,645	**4,858,902**
Accrued expenses	**75,300**	76,692	**918,292**
Income taxes payable	**51,007**	42,255	**622,036**
Deposits received	**138,527**	173,937	**1,689,353**
Deposits received in banking business (Note 4)	**275,696**	185,745	**3,362,146**
Allowance for bonuses to employees	**13,685**	14,377	**166,890**
Allowance for sales promotion expenses	**16,261**	13,134	**198,304**
Allowance for loss on future collection of gift certificates	**2,544**	4,058	**31,024**
Other (Notes 4 and 10)	**93,731**	126,922	**1,143,060**
Total current liabilities	**1,348,728**	1,263,370	**16,447,902**
Long-term debt (Notes 4, 12 and 16)	**472,111**	469,074	**5,757,451**
Allowance for accrued pension and severance costs (Note 11)	**3,356**	3,493	**40,926**
Allowance for retirement benefits to directors and corporate auditors	**2,292**	2,490	**27,951**
Deferred income taxes (Note 10)	**35,955**	38,343	**438,475**
Deposits received from tenants and franchised stores (Notes 4 and 16)	**56,048**	55,827	**683,512**
Other liabilities (Note 16)	**37,105**	47,063	**452,500**
Total liabilities	**1,955,599**	1,879,664	**23,848,768**
Commitments and contingent liabilities (Note 16)			
Net assets (Note 14):			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2011 and 906,441,983 shares in 2010	**50,000**	50,000	**609,756**
Capital surplus	**526,899**	576,072	**6,425,597**
Retained earnings	**1,234,204**	1,172,263	**15,051,268**
Treasury stock, at cost, 2,978,750 shares in 2011 and 2,983,875 shares in 2010	**(7,320)**	(9,270)	**(89,268)**
	1,803,783	1,789,065	**21,997,353**
Accumulated gains (losses) from valuation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	**3,226**	3,227	**39,341**
Unrealized losses on hedging derivatives, net of taxes	**(328)**	(549)	**(4,000)**
Foreign currency translation adjustments	**(104,167)**	(69,776)	**(1,270,329)**
	(101,268)	(67,097)	**(1,234,975)**
Subscription rights to shares (Note 15)	**981**	721	**11,963**
Minority interests in consolidated subsidiaries	**73,016**	71,251	**890,439**
Total net assets	**1,776,512**	1,793,940	**21,664,780**
	¥3,732,111	¥3,673,605	**$45,513,548**

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2011 and February 28, 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Revenues from operations:			
Net sales	**¥4,530,684**	¥4,549,867	**$55,252,243**
Other operating revenues (Note 19)	**589,054**	561,429	**7,183,585**
	5,119,739	5,111,297	**62,435,841**
Costs and expenses:			
Cost of sales	**3,364,412**	3,355,578	**41,029,414**
Selling, general and administrative expenses (Notes 11, 13 and 19)	**1,511,980**	1,529,052	**18,438,780**
	4,876,392	4,884,631	**59,468,195**
Operating income	**243,346**	226,666	**2,967,634**
Other income (expenses):			
Interest and dividend income	**6,049**	6,189	**73,768**
Interest expenses and interest on bonds	**(7,753)**	(8,505)	**(94,548)**
Foreign currency exchange losses	**(351)**	(213)	**(4,280)**
Equity in earnings of affiliates	**1,007**	1,225	**12,280**
Impairment loss on property and equipment (Note 8)	**(21,454)**	(28,052)	**(261,634)**
Gain on sales of property and equipment (Note 19)	**1,174**	1,168	**14,317**
Loss on disposals of property and equipment (Note 19)	**(6,566)**	(6,143)	**(80,073)**
Gain on donations received (Notes 19 and 20)	**7,000**	—	**85,365**
Gain on liquidation of investment in silent partnership	**8,305**	—	**101,280**
Subsidy income related to urban redevelopment projects	**3,590**	—	**43,780**
Gain on sales of investments in securities	**1,367**	574	**16,670**
Loss on sales of investments in securities	**—**	(333)	**—**
Valuation loss on investments in securities	**(10)**	(227)	**(121)**
Amortization of goodwill (Note 19)	**(461)**	(39,130)	**(5,621)**
Other, net	**(11,953)**	(10,114)	**(145,768)**
	(20,054)	(83,561)	**(244,560)**
Income before income taxes and minority interests	**223,291**	143,104	**2,723,060**
Income taxes (Note 10):			
Current	**97,602**	95,684	**1,190,268**
Deferred	**4,696**	(8,955)	**57,268**
	102,298	86,729	**1,247,536**
Income before minority interests	**120,993**	56,374	**1,475,524**
Minority interests in net income of consolidated subsidiaries	**9,031**	11,499	**110,134**
Net income	**¥ 111,961**	¥ 44,875	**$ 1,365,378**

	Yen		U.S. dollars (Note 3)
	2011	2010	**2011**
Per share information:			
Net income (Basic)	**¥126.21**	¥49.67	**$1.53**
Net income (Diluted)	**126.15**	49.66	**1.53**
Cash dividends	**57.00**	56.00	**0.69**

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

Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2011 and February 28, 2010

	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 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)
Disposal 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
Net income for the year			**111,961**							**111,961**
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			**13**							**13**
Cash dividends			**(50,034)**							**(50,034)**
Purchase of treasury stock				**(47,256)**						**(47,256)**
Disposal of treasury stock		**(2)**		**40**						**38**
Cancellation of treasury stock		**(49,170)**		**49,170**						**—**
Other				**(3)**						**(3)**
Net (decrease) increase for the year					**(1)**	**220**	**(34,390)**	**259**	**1,764**	**(32,146)**
Balance at February 28, 2011	**¥50,000**	**¥526,899**	**¥1,234,204**	**¥ (7,320)**	**¥3,226**	**¥(328)**	**¥(104,167)**	**¥981**	**¥73,016**	**¥1,776,512**

	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, 2010	$609,756	$7,025,268	$14,295,890	$(113,048)	$39,353	$(6,695)	$ (850,926)	$ 8,792	$868,914	$21,877,317
Net income for the year			**1,365,378**							**1,365,378**
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			**158**							**158**
Cash dividends			**(610,170)**							**(610,170)**
Purchase of treasury stock				**(576,292)**						**(576,292)**
Disposal of treasury stock		**(24)**		**487**						**463**
Cancellation of treasury stock		**(599,634)**		**599,634**						**—**
Other				**(36)**						**(36)**
Net (decrease) increase for the year					**(12)**	**2,682**	**(419,390)**	**3,158**	**21,512**	**(392,024)**
Balance at February 28, 2011	**$609,756**	**$6,425,597**	**$15,051,268**	**$ (89,268)**	**$39,341**	**$(4,000)**	**$(1,270,329)**	**$11,963**	**$890,439**	**$21,664,780**

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, 2011 and February 28, 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 223,291**	¥ 143,104	**$ 2,723,060**
Depreciation and amortization	**132,421**	132,232	**1,614,890**
Impairment loss on property and equipment	**21,454**	28,052	**261,634**
Amortization of goodwill	**16,606**	58,000	**202,512**
Increase (decrease) in allowance for bonuses to employees	**(691)**	(1,293)	**(8,426)**
Decrease (increase) in prepaid pension cost	**2,170**	4,336	**26,463**
Interest and dividend income	**(6,049)**	(6,189)	**(73,768)**
Interest expenses and interest on bonds	**7,753**	8,505	**94,548**
Foreign currency exchange (gains) losses	**374**	(136)	**4,560**
Equity in losses (earnings) of affiliates	**(1,007)**	(1,225)	**(12,280)**
Gain on sales of property and equipment	**(1,174)**	(1,168)	**(14,317)**
Loss on disposals of property and equipment	**6,566**	6,143	**80,073**
Gain on liquidation of investment in silent partnership	**(8,305)**	—	**(101,280)**
Subsidy income related to urban redevelopment projects	**(3,590)**	—	**(43,780)**
Loss on sales of investments in securities	**—**	333	**—**
Valuation loss on investments in securities	**10**	227	**121**
Decrease (increase) in notes and accounts receivable, trade	**(4,523)**	(3,153)	**(55,158)**
Decrease (increase) in accounts receivable, financial services	**7,973**	9,799	**97,231**
Decrease (increase) in inventories	**(4,298)**	8,450	**(52,414)**
Increase (decrease) in notes and accounts payable	**(3,311)**	(5,436)	**(40,378)**
Increase (decrease) in deposits received	**(12,866)**	16,449	**(156,902)**
Net increase (decrease) in loans in banking business	**(15,500)**	(26,300)	**(189,024)**
Net increase (decrease) in bonds in banking business	**—**	30,000	**—**
Net increase (decrease) in deposits received in banking business	**89,950**	20,033	**1,096,951**
Net decrease (increase) in call loan in banking business	**(104,000)**	(6,000)	**(1,268,292)**
Net increase (decrease) in call money in banking business	**(32,900)**	50,600	**(401,219)**
Net change in ATM-related temporary accounts	**66,434**	(33,545)	**810,170**
Other	**13,642**	4,720	**166,365**
Sub-total	**390,431**	436,540	**4,761,353**
Interest and dividends received	**3,205**	4,568	**39,085**
Interest paid	**(7,859)**	(8,612)	**(95,841)**
Income taxes paid	**(75,248)**	(110,294)	**(917,658)**
Net cash provided by operating activities	**310,527**	322,202	**3,786,914**
Cash flows from investing activities:			
Acquisition of property and equipment	**(232,270)**	(154,574)	**(2,832,560)**
Proceeds from sales of property and equipment	**5,335**	45,450	**65,060**
Acquisition of intangible assets	**(75,313)**	(12,774)	**(918,451)**
Payment for purchase of investments in securities	**(280,601)**	(256,054)	**(3,421,963)**
Proceeds from sales of investments in securities	**249,696**	226,742	**3,045,073**
Payment of loans receivable	**(101)**	(6,245)	**(1,231)**
Collection of loans receivable	**991**	821	**12,085**
Payment for long-term leasehold deposits	**(26,513)**	(30,916)	**(323,329)**
Refund of long-term leasehold deposits	**40,282**	28,106	**491,243**
Proceeds from deposits from tenants	**5,830**	3,144	**71,097**
Refund of deposits from tenants	**(4,747)**	(5,012)	**(57,890)**
Payment for acquisition of treasury stock of subsidiary in consolidation	**(4,999)**	—	**(60,963)**
Proceeds from liquidation of investment in silent partnership	**8,305**	—	**101,280**
Proceeds from subsidy income related to urban redevelopment projects	**1,045**	—	**12,743**
Payment for time deposits	**(12,339)**	(28,600)	**(150,475)**
Payment for negotiable certificates of deposits	**(45,000)**	(55,000)	**(548,780)**
Proceeds from withdrawal of time deposits	**20,831**	29,467	**254,036**
Proceeds from withdrawal of negotiable certificates of deposits	**40,000**	107,000	**487,804**
Other	**(2,512)**	(6,714)	**(30,634)**
Net cash used in investing activities	**(312,081)**	(115,158)	**(3,805,865)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	**(38,370)**	(48,600)	**(467,926)**
Proceeds from long-term debt	**60,040**	101,000	**732,195**
Repayment of long-term debt	**(67,638)**	(94,700)	**(824,853)**
Proceeds from commercial paper	**360,321**	283,704	**4,394,158**
Payment for redemption of commercial paper	**(360,075)**	(286,429)	**(4,391,158)**
Proceeds from issuance of bonds	**109,624**	—	**1,336,878**
Payment for redemption of bonds	**(20,385)**	(50,592)	**(248,597)**
Dividends paid	**(50,022)**	(51,476)	**(610,024)**
Capital contribution from minority interests	**651**	527	**7,939**
Dividends paid for minority interests	**(3,774)**	(3,653)	**(46,024)**
Payment for acquisitions of treasury stock	**(47,290)**	(18)	**(576,707)**
Other	**660**	(6,469)	**8,048**
Net cash used in financing activities	**(56,258)**	(156,708)	**(686,073)**
Effect of exchange rate changes on cash and cash equivalents	**(2,760)**	4,061	**(33,658)**
Net increase (decrease) in cash and cash equivalents	**(60,573)**	54,397	**(738,695)**
Cash and cash equivalents at beginning of year	**717,320**	663,483	**8,747,804**
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	**—**	(560)	**—**
Cash and cash equivalents at end of year	**¥ 656,747**	¥ 717,320	**$ 8,009,109**

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. and its consolidated subsidiaries (the "Companies") 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 Seven & i Holdings Co., Ltd. (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 84 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 during the period due to the establishment of Seven & i Asset Management Co., Ltd., Seven Farm Co., Ltd., Seven Farm Tsukuba Co., Ltd., Seven Farm Miura Co., Ltd., and SEVEN-ELEVEN (CHENGDU) CO., LTD.

On the other hand, California S.S.P.C., Inc. was excluded from the scope of consolidation in the current fiscal year because it was liquidated during the period. Also, SHAOXING AKACHAN HONPO LTD. was excluded from the scope of consolidation in the current fiscal year due to a share transfer.

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 that occur during the period from January 1 to February 28 are adjusted for in the consolidation process.

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, are prepared in order to facilitate its consolidation.

18 affiliates are accounted for using the equity method. When an affiliate is in a net loss position, the Company's share of such loss is reduced from its loan receivable from that affiliate. For the affiliates that have a balance sheet date other than February 28, the financial statements of these companies with their individual balance sheet date are used in preparing the consolidated financial statements.

All material intercompany transactions and account balances have been eliminated.

The Company's interest portion in the assets and liabilities of subsidiaries and affiliates is 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 this guidance from the fiscal year ended February 28, 2009.

(2) Inventories

Inventories are stated mainly at cost determined by the following method, with book value written down to the net realizable value. Cost is determined principally by the 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 of cost or market method. Effective from the fiscal year ended February 28, 2010, 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, the Company recorded valuation loss on beginning inventories included in other expenses at ¥1,323 million for the fiscal year ended February 28, 2010. As a result of this change, operating income decreased by ¥320 million and 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, which use the straight-line method, as do foreign consolidated subsidiaries.

(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

Effective from the year ended February 28, 2010, 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 that 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.

(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. For the previous fiscal years, estimated costs arising in connection with the coupon tickets expected to be issued through the utilization of the sales promotion points had been provided by the department store business as allowance for sales promotion expenses.

Effective for the fiscal year ended February 28, 2011, the Company provides the allowance at the amount the sales promotion points are expected to be utilized, following the change of the sales promotion point card program.

As a result of this change, the Company recorded the relevant loss at ¥2,993 million in the current fiscal year, which is included in "other, net" of other expenses.

(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 remaining uncollected for 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, 2011 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.

(Change in accounting policy)

Effective for the year ended February 28, 2011, the Company adopted "Partial Amendments to Accounting Standards for Retirement Benefits (Part 3)" (Statement No. 19 by ASBJ on July 31, 2008). This does not have any impact on projected retirement benefit obligations and net income.

(f) Allowance for retirement benefits to directors and corporate auditors

Allowance for retirement benefits to directors and corporate auditors is provided at the amount required to be paid in accordance with internal rules.

The Company and some of its consolidated subsidiaries have abolished the retirement benefit system for directors and corporate auditors, among which some subsidiaries have determined to pay the balance at the time of retirement.

(10) Hedge accounting

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

The Companies 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 that 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) per share as of February 28, 2011 and February 28, 2010 are ¥1,927.09 ($23.50) and ¥1,905.97, respectively. Net income per share for the fiscal years ended February 28, 2011 and February 28, 2010 are ¥126.21 ($1.53) and ¥49.67, respectively. Diluted net income per share for the fiscal years ended February 28, 2011 and February 28, 2010 are ¥126.15 ($1.53) and ¥49.66, 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 incorporating 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, 2011 and February 28, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Net income	¥111,961	¥44,875	$1,365,378
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥111,961	¥44,875	$1,365,378
Weighted-average number of shares of common stock outstanding (shares)	887,128,871	903,458,314	—

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, the beginning balance of retained earnings for the fiscal year ended February 28, 2010 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 the segment information section (Note 21).

(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 ¥82=US$1, the approximate rate of exchange prevailing on February 28, 2011. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

4. FINANCIAL INSTRUMENTS

Fiscal year ended February 28, 2011

Qualitative information on financial instruments

(1) Policies relating to financial instruments

For the management of surplus funds, the Companies' basic policy is to give priority to safety, liquidity, and efficiency, investing only in short-term instruments (within one year) such as deposits at banks that have high credit ratings.

As for fund raising, the Companies mainly raise funds through bank loans and bond issuance while ensuring the dispersal of redemption periods.

Also, the Companies use derivative instruments to mitigate the risk of currency exchange rates fluctuations for debts and credits denominated in foreign currencies and the risk of fluctuations in the interest rates of interest-bearing debt as well as to optimize cash flows for future interest payments. The Companies do not hold or issue derivative instruments for trading or speculative purposes.

(2) Details of financial instruments, associated risk, and risk management systems

The Companies' risk management policy is incorporated in the "Fundamental Risk Management Policy," which designates the units that are responsible for each type of risk and overall risk management. Further, in relation to financial instruments the Companies recognize and manage risk as follows.

Notes and accounts receivable, trade, are exposed to individual customer's credit risk. The Companies regularly monitor due dates and outstanding balances, as well as customer creditworthiness, to identify any concerns and mitigate losses associated with their collectability.

Long-term leasehold deposits, mainly arising from store rental agreements, are also exposed to individual lessor's credit risk. As with notes and accounts receivable, trade, the Companies monitor lessor creditworthiness to identify any concerns and mitigate losses associated with their collectability.

Marketable securities mainly consist of negotiable certificates of deposit used for the management of surplus funds. Investments in securities mainly consist of shares of companies with which the Companies have operational relationships and Japanese government bonds held by Seven Bank, Ltd., which is a subsidiary of the Company. These investments are exposed to market risk. The Companies regularly reconsider the holding status of these securities by monitoring market prices and the issuers' financial position, in light of the Companies' business partnerships.

Among notes and accounts payable, trade, debts denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations. In order to mitigate the risk, the Companies enter into foreign exchange forward contracts that cover a portion of the settlement amount.

With regards to the foreign exchange forward contracts, the Companies regularly monitor their valuation.

Among loans, short-term loans and commercial paper are used mainly to raise operating funds, while long-term loans and bonds are used mainly for capital investments. These debts are managed comprehensively based on the asset-liability management (ALM) model.

Among these debts, long-term loans with variable interest rates are exposed to the risk of interest rate fluctuations, which is partially mitigated by interest rate swap contracts. The detailed explanation as to the specific hedge methods are set out in Note 2, "Summary of Significant Accounting Policies."

In relation to the derivative instruments (i.e. forward exchange contracts, interest rate swap contracts) discussed above, the Companies mitigate credit risk by restricting counterparties to financial institutions that have high creditworthiness.

Trade payables, loans and bonds are exposed to liquidity risk, which is the risk of failing to settle as scheduled. The Companies manage the risk through adequately maintaining fund management plans, as well as by the Company conducting entity-wide cash management.

(3) Supplementary information on fair values

Fair values of financial instruments are measured through quoted market prices when available. When quoted market prices are not available, fair values are estimated by using reasonable valuation methods. The assumptions of such estimations include variable factors and, accordingly, if different assumptions are adopted, estimated fair values may change. The contract amounts of the derivatives discussed in Note 6, "Derivative Transactions," below are not an indicator of the market risk associated with derivative transactions.

Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet on February 28, 2011 are as follows. Certain items that are deemed to be immaterial are not included in the table. Financial instruments whose fair value is deemed highly difficult to measure are also excluded from the table.

	Millions of yen		
	2011		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 656,747	¥ 656,747	¥ —
Notes and accounts receivable, trade	122,411		
Allowance for doubtful accounts [a]	(1,479)		
	120,932	121,451	518
Marketable securities and investments in securities	200,170	199,918	(251)
Long-term leasehold deposits [b]	310,961		
Allowance for doubtful accounts [c]	(892)		
	310,069	299,944	(10,124)
Total assets	1,287,918	1,278,061	(9,857)
Notes and accounts payable, trade [d]	284,795	284,795	—
Deposits received in banking business	275,696	276,177	480
Bonds [e]	300,073	305,797	5,723
Long-term loans [f]	304,412	305,315	903
Deposits received from tenants and franchised stores [g]	24,830	21,768	(3,061)
Total liabilities	1,189,807	1,193,854	4,046
Derivative instruments [h]	¥ (426)	¥ (426)	¥ —

	Thousands of U.S. dollars (Note 3)		
	2011		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 8,009,109	$ 8,009,109	$ —
Notes and accounts receivable, trade	1,492,817		
Allowance for doubtful accounts [(a)]	(18,036)		
	1,474,780	1,481,109	6,317
Marketable securities and investments in securities	2,441,097	2,438,024	(3,060)
Long-term leasehold deposits [(b)]	3,792,207		
Allowance for doubtful accounts [(c)]	(10,878)		
	3,781,329	3,657,853	(123,463)
Total assets	15,706,317	15,586,109	(120,207)
Notes and accounts payable, trade [(d)]	3,473,109	3,473,109	—
Deposits received in banking business	3,362,146	3,368,012	5,853
Bonds [(e)]	3,659,426	3,729,231	69,792
Long-term loans [(f)]	3,712,341	3,723,353	11,012
Deposits received from tenants and franchised stores [(g)]	302,804	265,463	(37,329)
Total liabilities	14,509,841	14,559,195	49,341
Derivative instruments [(h)]	$ (5,195)	$ (5,195)	$ —

(a) The amount of allowance for doubtful accounts relates only to notes and account receivable, trade.
(b) The amount of long-term leasehold deposits includes a portion of leasehold deposits maturing within one year.
(c) The amount of allowance for doubtful accounts relates only to long-term leasehold deposits.
(d) The amount of notes and accounts payable, trade includes trade for franchised stores.
(e) The amount of bonds includes bonds due within one year.
(f) The amount of long-term loans includes bonds due within one year.
(g) The amount of deposits received from tenants and franchised stores includes a portion of restoration maturing within one year.
(h) The value of assets and liabilities arising from derivative instruments are shown by net value. Net liabilities are shown in parentheses.

Note 1: Items relating to the calculation of the fair value of financial instruments and derivative instruments

Assets

(1) Cash and cash equivalents

The relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values.

(2) Notes and accounts receivable, trade

For notes and accounts receivable, trade, the relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values. The fair value of items with long settlement periods is the present value, which is obtained by discounting the future cash flows over the remaining period by the interest rate that reflects credit risk.

(3) Marketable securities and investments in securities

For the fair value of equity securities, market prices are used. For bonds, market prices or the prices shown by correspondent financial institutions are used. For negotiable certificates of deposit, the relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values.

(4) Long-term leasehold deposits

The fair value of items with long settlement periods is the present value, which is calculated by discounting the future cash flows that reflect credit risks by the corresponding interest rate for government bonds over the remaining period.

Liabilities

(1) Notes and accounts payable, trade

The relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values.

(2) Deposits received in banking business

The fair value of deposit on demand is measured at the amount payable on demand at the balance sheet date (book value). The fair value of term deposits is measured at their present value, which is obtained by categorizing the balance in accordance with their maturity and discounting the relevant future cash flows by each category. The discount rate is the interest rate that would be applied to newly accepted deposits. For time deposits that are due within one year, the relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values.

(3) Bonds

The fair value of bonds that have market prices is based on those prices. The fair value of bonds that do not have market price is based on the present value, which is obtained by discounting the total principal and interest over remaining period by the interest rate that reflects credit risk.

(4) Long-term loans

The fair value of long-term loans is based on the present value, which is obtained by discounting the total of principal and interest by the interest rate that would be applied if similar new borrowings were entered into.

(5) Deposits received from tenants and franchised stores

The fair value of deposits received from tenants is the present value, which is obtained by discounting future cash flows by the corresponding interest rate for government bonds over the remaining period.

Derivative instruments

Refer to Note 6, "Derivative Transactions."

Note 2: Items for which fair value is deemed highly difficult to measure

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2011	
	Book value	
Investments in securities [(a)]		
Non-listed securities	**¥ 15,266**	**$ 186,170**
Shares of affiliates	**11,539**	**140,719**
Other	**430**	**5,243**
Long-term leasehold deposits [(b)]	**125,543**	**1,531,012**
Deposits received from tenants and franchised stores [(b)]	**¥ 35,836**	**$ 437,024**

(a) These are not included in "Marketable securities and investments in securities" in the above tables since determining their estimated fair values was deemed to be highly difficult, due to the fact that these do not have market prices and the future cash flows cannot be estimated.

(b) These are not included in "Long-term leasehold deposits" and "Deposits received from tenants and franchised stores" in the above tables since determining their fair values was deemed to be highly difficult, due to the fact that the amount to be repaid cannot be reasonably estimated.

Note 3: Redemption schedule for receivables and marketable securities with maturities

	Millions of yen			
	2011			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	**¥656,747**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable, trade	**115,287**	**6,620**	**474**	**29**
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	**170**	**420**	**—**	**—**
Available-for-sale securities with maturities				
Governmental and municipal bonds	**152,500**	**21,010**	**—**	**—**
Corporate bonds	**2,200**	**—**	**—**	**—**
Other	**25**	**—**	**—**	**—**
Long-term leasehold deposits	**30,450**	**94,506**	**78,692**	**107,312**
Total	**¥957,380**	**¥122,556**	**¥79,166**	**¥107,341**

	Thousands of U.S. dollars (Note 3)			
	2011			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	**$ 8,009,109**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable, trade	**1,405,939**	**80,731**	**5,780**	**353**
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	**2,073**	**5,121**	**—**	**—**
Available-for-sale securities with maturities				
Governmental and municipal bonds	**1,859,756**	**256,219**	**—**	**—**
Corporate bonds	**26,829**	**—**	**—**	**—**
Other	**304**	**—**	**—**	**—**
Long-term leasehold deposits	**371,341**	**1,152,512**	**959,658**	**1,308,682**
Total	**$11,675,365**	**$1,494,585**	**$965,439**	**$1,309,036**

Note 4: Redemption schedule for deposits received in banking business with maturities

	Millions of yen			
	2011			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	**¥221,234**	**¥54,461**	**—**	**—**

	Thousands of U.S. dollars (Note 3)			
	2011			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	**$2,697,975**	**$664,158**	**—**	**—**

Note: Deposits received in banking business due within one year include deposits on demand.

Note 5: The redemption schedule for long-term debt is disclosed in Note 12, "Short-term loans and long-term debt."

(Supplementary information)

Effective from the fiscal year ended February 28, 2011, the Company adopted the revised accounting standard, "Accounting Standard for Financial Instruments" (ASBJ) Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008).

5. 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, 2011 and February 28, 2010:

	Millions of yen		
	2011		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	**¥594**	**¥597**	**¥3**
Total	**¥594**	**¥597**	**¥3**

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

	Thousands of U.S. dollars (Note 3)		
	2011		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	**$7,243**	**$7,280**	**$36**
Total	**$7,243**	**$7,280**	**$36**

(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, 2011 and February 28, 2010 (excluding non-marketable securities of ¥15,266 million ($186,170 thousand) for the current fiscal year):

	Millions of yen		
	2011		
TYPE	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 15,556**	**¥ 10,999**	**¥ 4,556**
Debt securities			
Governmental and municipal bonds, etc.	**107,217**	**107,119**	**97**
Sub-total	**122,773**	**118,119**	**4,654**
Securities with book value not exceeding acquisition cost:			
Equity securities	**4,726**	**6,098**	**(1,371)**
Debt securities			
Governmental and municipal bonds, etc.	**67,035**	**67,045**	**(9)**
Corporate bonds	**2,208**	**2,208**	**(0)**
Others	**25**	**25**	**—**
Sub-total	**73,996**	**75,378**	**(1,382)**
Total	**¥196,769**	**¥193,497**	**¥ 3,272**

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

TYPE	Thousands of U.S. dollars (Note 3) 2011 Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	**$ 189,707**	**$ 134,134**	**$ 55,560**
Debt securities			
Governmental and municipal bonds, etc.	**1,307,524**	**1,306,329**	**1,182**
Sub-total	**1,497,231**	**1,440,475**	**56,756**
Securities with book value not exceeding acquisition cost:			
Equity securities	**57,634**	**74,365**	**(16,719)**
Debt securities			
Governmental and municipal bonds, etc.	**817,500**	**817,621**	**(109)**
Corporate bonds	**26,926**	**26,926**	**(0)**
Others	**304**	**304**	**—**
Sub-total	**902,390**	**919,243**	**(16,853)**
Total	**$2,399,621**	**$2,359,719**	**$ 39,902**

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2011 and February 28, 2010 are as follows:

TYPE	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 3) 2011
Sales amounts	**¥2,845**	¥1,884	**$34,695**
Gain on sales of available-for-sale securities	**1,367**	574	**16,670**
Loss on sales of available-for-sale securities	**—**	(333)	**—**

(4) Impairment loss on securities

For the fiscal year ended February 28, 2011, the Companies recognized ¥10 million ($121 thousand) of impairment loss on securities.

The Company considers securities to be irrecoverable where market prices decline by more than or equal to 50% of their acquisition cost. Where market prices decline by between 30% and 50% of their acquisition cost, the Company assesses the recoverability and, to the extent necessary, recognizes impairment losses on such securities.

(5) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2011 and February 28, 2010 are ¥14,346 million ($174,951 thousand) and ¥10,940 million, respectively.

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

TYPE	Millions of yen 2010
Held-to-maturity debt securities:	
Bonds	¥ 0
Available-for-sale securities:	
Non-listed securities	18,110
Non-listed foreign securities	3,021
Debt securities	25
Negotiable certificates of deposit	0
Total	¥21,156

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

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

6. DERIVATIVE TRANSACTIONS

The Companies 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 Companies 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 Companies 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, 2011 and 2010 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivatives not designated as hedging instruments

(As of February 28, 2011)

(1) Currency-related transactions

	Millions of yen			
	2011			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After one year		
Forward exchange contracts:				
Buy U.S. dollar	**¥5,005**	**—**	**¥4,904**	**¥(100)**
Buy euro	**72**	**—**	**75**	**2**

	Thousands of U.S. dollars (Note 3)			
	2011			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After one year		
Forward exchange contracts:				
Buy U.S. dollar	**$61,036**	**—**	**$59,804**	**$(1,219)**
Buy euro	**878**	**—**	**914**	**24**

Note: The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.

Derivatives designated as hedging instruments

(As of February 28, 2011)

(1) Currency-related transactions

	Millions of yen		
	2011		
	Contract amount		Estimated fair value
	Total	After one year	
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	**¥ 4**	**¥ —**	**¥ (0)**

	Thousands of U.S. dollars (Note 3)		
	2011		
	Contract amount		Estimated fair value
	Total	After one year	
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	**$ 48**	**$ —**	**$ (0)**

Note: The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.

(2) Interest-rate-related transactions

	Millions of yen		
	2011		
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	**¥30,000**	**¥ —**	**¥(328)**
Interest rate swap contracts, where certain criteria are met (b)			
Receive float / Pay fixed	**14,000**	**5,000**	**— (a)**

	Thousands of U.S. dollars (Note 3)		
	2011		
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	**$365,853**	**$ —**	**$(4,000)**
Interest rate swap contracts, where certain criteria are met (b)			
Receive float / Pay fixed	**170,731**	**60,975**	**— (a)**

Note: The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.
(a) Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying long-term debt.
(b) The estimated fair value of these interest rate swaps is, in effect, included in and presented with that of the hedged item. For details, refer to Note 2 (10), "Hedge accounting."

(As of February 28, 2010)

(1) Currency-related transactions

	Millions of yen			
	2010			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After 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)

(2) Interest-rate-related transactions

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

7. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Buildings and structures	**¥ 1,418,705**	¥ 1,362,264	**$17,301,280**
Furniture, fixtures and other	**465,369**	464,099	**5,675,231**
	1,884,074	1,826,363	**22,976,512**
Less: Accumulated depreciation	**(1,227,077)**	(1,203,470)	**(14,964,353)**
	656,997	622,893	**8,012,158**
Land	**581,185**	520,320	**7,087,621**
Construction in progress	**9,640**	52,495	**117,560**
Total	**¥ 1,247,823**	¥ 1,195,709	**$15,217,353**

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2011 and 2010, the Companies recognized ¥21,454 million ($261,634 thousand) and ¥28,052 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2011:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 43 stores Osaka Pref. 29 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 7 stores Tokyo Met. 4 stores Others 16 stores	**¥20,200**	**$246,341**
Stores (Department stores)	Land and buildings, etc.	Chiba Pref. 1 store Others 4 stores		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 43 stores		
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	**1,253**	**15,280**
Total			**¥21,454**	**$261,634**

Fiscal year ended February 28, 2010:

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

The Companies 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 price or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amounts were recorded as an impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2011 and 2010 is as follows:

Fiscal year ended February 28, 2011:

	Millions of yen			Thousands of U.S. dollars (Note 3)
CLASSIFICATION	Stores	Other facilities, etc.	Total	
Buildings and structures	**¥10,652**	**¥ 144**	**¥10,797**	**$131,670**
Land	**7,331**	**14**	**7,345**	**89,573**
Software	**—**	**950**	**950**	**11,585**
Other	**2,216**	**144**	**2,361**	**28,792**
Total	**¥20,200**	**¥1,253**	**¥21,454**	**$261,634**

Fiscal year ended February 28, 2010:

	Millions of yen		
CLASSIFICATION	Stores	Other facilities, etc.	Total
Buildings and structures	¥19,039	¥ 176	¥19,216
Land	4,494	453	4,947
Software	—	1,203	1,203
Other	2,639	45	2,684
Total	¥26,173	¥1,879	¥28,052

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 1.7–6.0% discount rates in 2011 and the 2.1–6.0% in 2010 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Finance lease obligation for property and equipment recorded for the fiscal year	**¥11,867**	¥8,410	**$144,719**

10. 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, 2011 and February 28, 2010.

The significant components of deferred tax assets and liabilities as of February 28, 2011 and February 28, 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Deferred tax assets:			
Allowance for bonuses to employees	**¥ 5,622**	¥ 5,818	**$ 68,560**
Allowance for sales promotion expenses	**6,269**	5,090	**76,451**
Accrued payroll	**3,939**	3,752	**48,036**
Allowance for retirement benefits to directors and corporate auditors	**928**	1,182	**11,317**
Allowance for accrued pension and severance costs	**558**	435	**6,804**
Allowance for loss on future collection of gift certificates	**1,035**	2,709	**12,621**
Deposit received in relation to the electronic money business	**4,254**	—	**51,878**
Depreciation and amortization	**14,148**	13,419	**172,536**
Tax loss carried forward	**44,650**	44,672	**544,512**
Valuation loss on available-for-sale securities	**1,262**	3,870	**15,390**
Allowance for doubtful accounts	**3,145**	3,703	**38,353**
Unrealized loss on property and equipment	**13,062**	13,533	**159,292**
Impairment loss on property and equipment and valuation loss on land	**42,042**	45,140	**512,707**
Accrued enterprise taxes and business office taxes	**5,219**	4,575	**63,646**
Accrued expenses	**8,141**	8,439	**99,280**
Other	**12,811**	11,489	**156,231**
Sub-total	**167,093**	167,833	**2,037,719**
Less: Valuation allowance	**(97,330)**	(99,064)	**(1,186,951)**
Total	**69,763**	68,769	**850,768**
Deferred tax liabilities:			
Unrealized gains on property and equipment	**(31,334)**	(31,534)	**(382,121)**
Royalties, etc.	**(10,356)**	(12,320)	**(126,292)**
Reserve for advanced depreciation of property and equipment	**(1,093)**	(1,115)	**(13,329)**
Unrealized gains on available-for-sale securities	**(636)**	(748)	**(7,756)**
Prepaid pension cost	**(4,003)**	(5,024)	**(48,817)**
Unrealized intercompany profit	**(5,372)**	—	**(65,512)**
Other	**(1,328)**	(1,937)	**(16,195)**
Total	**(54,125)**	(52,681)	**(660,060)**
Net deferred tax assets [(a)]	**¥ 15,637**	¥ 16,087	**$ 190,695**

(a) Net deferred tax assets are included in the following assets and liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Current assets–Deferred income taxes	**¥ 30,875**	¥ 28,360	**$ 376,524**
Other assets–Deferred income taxes	**20,717**	26,134	**252,646**
Current liabilities–Other	**—**	(64)	**—**
Non-current liabilities–Deferred income taxes	**(35,955)**	(38,343)	**(438,475)**

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2011 and February 28, 2010 is as follows:

	2011	2010
Statutory tax rate	**40.7%**	40.7%
Adjustments:		
Equity in earnings of affiliates	**(0.2)**	(0.3)
Amortization of goodwill	**3.0**	16.5
Non-deductible items, such as entertainment expenses	**0.2**	0.3
Decrease in valuation allowance	**(0.8)**	(0.3)
Inhabitant taxes per capita	**0.6**	1.2
Elimination of gain on sales of subsidiaries' stock for consolidation	**2.4**	2.8
Other	**(0.1)**	(0.3)
Effective tax rate	**45.8%**	60.6%

11. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries mainly provide the employee pension fund plan as a defined benefit plan, while some of the domestic subsidiaries provide a defined contribution pension plan or a lump sum severance payment plan.

Additional retirement benefits for early retirement may be added upon the retirement of 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)
	2011	2010	2011
Projected benefit obligations [(a)]	**¥(197,559)**	¥(192,775)	**$(2,409,256)**
Fair value of plan assets (including employee retirement benefit trust)	**168,688**	157,764	**2,057,170**
Unrecognized actuarial differences	**34,975**	43,611	**426,524**
Unrecognized prior service cost	**517**	54	**6,304**
Prepaid pension cost, net of allowance for accrued pension and severance costs	**6,621**	8,655	**80,743**
Prepaid pension cost	**9,978**	12,149	**121,682**
Allowance for accrued pension and severance costs	**¥ (3,356)**	¥ (3,493)	**$ (40,926)**

(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)
	2011	2010	2011
Service cost [(a)]	**¥11,753**	¥11,722	**$143,329**
Interest cost	**3,961**	3,880	**48,304**
Expected return on plan assets	**(4,710)**	(4,032)	**(57,439)**
Amortization of actuarial differences	**5,578**	7,148	**68,024**
Amortization of prior year service cost	**(515)**	(693)	**(6,280)**
Additional retirement benefits for early retirement	**1,511**	600	**18,426**
Net periodic benefit cost [(b)]	**¥17,578**	¥18,626	**$214,365**

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥535 million ($6,524 thousand) and ¥1,011 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, 2011 and February 28, 2010, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

		2011	2010
Allocation method of estimated total retirement benefits		**Point basis**	Point basis
Discount rate:	Mainly	**2.0%**	2.0%
	Consolidated subsidiaries in the United States	**5.7%**	5.9%
Expected rate of return on plan assets: Mainly		**3.0%**	3.0%
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)]		**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.

12. 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)
	2011	2010	**2011**
Outstanding balance at fiscal year-end:			
Short-term bank loans [a]	**¥108,330**	¥151,200	**¥1,321,097**
Weighted-average interest rate at year-end:			
Short-term bank loans	**0.6%**	0.7%	**0.6%**

(a) The total amounts of short-term loans with collateral as of February 28, 2011 and February 28, 2010 are ¥3,400 million ($41,463 thousand) and ¥3,400 million, respectively (Note 16).

Long-term debt at February 28, 2011 and February 28, 2010 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
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]	**¥304,412**	¥ 323,625	**$3,712,341**
Lease obligations	**28,268**	22,188	**344,731**
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	**39,998**	39,997	**487,780**
1.68% unsecured straight bonds, due June 19, 2015	**29,992**	29,990	**365,756**
1.94% unsecured straight bonds, due June 20, 2018	**29,982**	29,980	**365,634**
0.541% unsecured straight bonds, due June 19, 2015	**30,000**	—	**365,853**
0.852% unsecured straight bonds, due June 20, 2017	**20,000**	—	**243,902**
1.399% unsecured straight bonds, due June 19, 2020	**60,000**	—	**731,707**
Ito-Yokado Co., Ltd.:			
1.96% unsecured straight bonds, due March 29, 2010	**—**	20,000	**—**
Akachan Honpo Co., Ltd.:			
0.53% unsecured straight bonds, due March 31, 2010	**—**	60	**—**
0.73% unsecured straight bonds, due March 25, 2010	**—**	125	**—**
1.32% unsecured straight bonds, due March 25, 2011	**100**	300	**1,219**
Seven Bank, Ltd.:			
1.45% unsecured straight bonds, due December 20, 2011	**36,000**	36,000	**439,024**
1.67% unsecured straight bonds, due December 20, 2013	**24,000**	24,000	**292,682**
0.74% unsecured straight bonds, due June 20, 2012	**10,000**	10,000	**121,951**
1.04% unsecured straight bonds, due June 20, 2014	**20,000**	20,000	**243,902**
7-Eleven, Inc.:			
Commercial paper	**14,569**	16,208	**177,670**
	647,323	572,476	**7,894,182**
Current portion of long-term debt	**(175,212)**	(103,402)	**(2,136,731)**
	¥472,111	¥ 469,074	**$5,757,451**

(b) The total amounts of long-term debt with collateral as of February 28, 2011 and February 28, 2010 are ¥154,157 million ($1,879,963 thousand) and ¥184,807 million, respectively (Note 16).

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)
2012	¥175,212	$2,136,731
2013	86,947	1,060,329
2014	136,155	1,660,426
2015	44,997	548,743
2016	67,587	824,231
Thereafter	136,423	1,663,695
	¥647,323	$7,894,182

13. 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, 2011 and February 28, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 84,297**	¥ 94,147	**$1,028,012**
Accumulated depreciation	**(59,730)**	(52,802)	**(728,414)**
Accumulated impairment loss	**(154)**	(293)	**(1,878)**
Net book value	**¥ 24,411**	¥ 41,051	**$ 297,695**
Software:			
Acquisition cost	**¥ 424**	¥ 659	**$ 5,170**
Accumulated depreciation	**(245)**	(295)	**(2,987)**
Net book value	**¥ 178**	¥ 363	**$ 2,170**
Lease payments	**¥ 16,676**	¥ 18,470	**$ 203,365**
Reversal of allowance for impairment loss on leased assets	**¥ 177**	¥ 197	**$ 2,158**
Depreciation expense [(a), (b)]	**¥ 16,854**	¥ 18,667	**$ 205,536**
Impairment loss	**¥ 38**	¥ 161	**$ 463**

(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 Companies' finance leases, including the interest portion, as of February 28, 2011 and February 28, 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Due within one year	**¥14,129**	¥16,940	**$172,304**
Due after one year	**10,615**	24,768	**129,451**
Total	**¥24,745**	¥41,708	**$301,768**
Balance of impairment loss account on leased assets included in the outstanding future lease payments	**¥ 154**	¥ 293	**$ 1,878**

As lessor:

A summary of acquisition cost, accumulated depreciation, and net book value as of February 28, 2011 and February 28, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 16,601**	¥ 21,522	**$ 202,451**
Accumulated depreciation	**(11,892)**	(13,322)	**(145,024)**
Net book value	**¥ 4,709**	¥ 8,199	**$ 57,426**
Lease income	**¥ 3,185**	¥ 4,213	**$ 38,841**
Depreciation expense	**¥ 2,911**	¥ 3,867	**$ 35,500**
Interest income [(c)]	**¥ 224**	¥ 358	**$ 2,731**

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

The future lease income of the Companies' finance leases as of February 28, 2011 and February 28, 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Due within one year	**¥2,434**	¥3,525	**$29,682**
Due after one year	**2,553**	5,044	**31,134**
Total	**¥4,988**	¥8,570	**$60,829**

(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, 2011 and February 28, 2010 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Due within one year	**¥ 61,673**	¥ 61,273	**$ 752,109**
Due after one year	**379,850**	380,180	**4,632,317**
Total	**¥441,523**	¥441,454	**$5,384,426**

14. 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 its 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 26, 2011, the shareholders approved cash dividends amounting to ¥25,621 million ($312,451 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

15. 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, 2011 and February 28, 2010 amounted to ¥297 million ($3,621 thousand) and ¥369 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	[b]	[b]
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	[b]	[b]
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

	Fifth grant	Sixth grant
Title and number of grantees	6 directors of the Company	115 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options (a)	21,100 common shares	114,400 common shares
Grant date	June 16, 2010	July 2, 2010
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2011 to June 16, 2030	From February 28, 2011 to July 2, 2040

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) 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 or of its subsidiaries.

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, 2011. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2011:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant	Fifth grant	Sixth grant
Before vested						
As of February 28, 2010	—	—	—	—	—	—
Granted	—	—	—	—	21,100	114,400
Forfeited	—	—	—	—	—	600
Vested	—	—	—	—	21,100	113,800
Outstanding	—	—	—	—	—	—
After vested						
As of February 28, 2010	15,900	84,000	24,000	129,700	—	—
Vested	—	—	—	—	21,100	113,800
Exercised	—	5,700	—	9,600	—	—
Forfeited	—	—	—	—	—	—
Outstanding	15,900	78,300	24,000	120,100	21,100	113,800

Price information

	First grant	Second grant	Third grant	Fourth grant	Fifth grant	Sixth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥213,300 ($2,601) per subscription to share	—	¥209,800 ($2,558) per subscription to share	—	—
Fair value at the grant date (a)	¥307,000 ($3,743) per subscription to share	¥311,300 ($3,796) per subscription to share	¥204,500 ($2,493) per subscription to share	¥211,100 ($2,574) per subscription to share	¥185,000 ($2,256) per subscription to share	¥168,900 ($2,059) 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 method used for valuating fair value of Fifth grant of subscription rights to shares and Sixth grant of subscription rights to shares during the fiscal year ended February 28, 2011 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Fifth grant	Sixth grant
Expected volatility of the underlying stock price (a)	36.17%	34.13%
Remaining expected life of the option (b)	5.97 years	5.67 years
Expected dividends on the stock (c)	¥56 ($0.68) per share	¥56 ($0.68) per share
Risk-free interest rate during the expected option term (d)	0.544%	0.395%

(a) Fifth grant is calculated based on the actual stock prices during the four years and nine months from September 1, 2005 to June 16, 2010.
Sixth grant is calculated based on the actual stock prices during the four years and ten months from September 1, 2005 to July 2, 2010.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from valuation date 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, 2010.
(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 been 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	(b)	(c)
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	(b)	(c)
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

	Third grant-1	Third grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	4 executive officers of Seven Bank, Ltd.
Number of stock options (a)	423 common shares	51 common shares
Grant date	August 9, 2010	August 9, 2010
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 10, 2010 to August 9, 2040	From August 10, 2010 to August 9, 2040

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) Within 10 days from the day following the day that a subscription holder loses his/her position as a director of Seven Bank, Ltd.
(c) Within 10 days from the day following the day that a subscription holder loses his/her position as a director or executive officer of Seven Bank, Ltd.

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, 2011. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2011:

Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2	Third grant-1	Third grant-2
Before vested						
As of February 28, 2010	—	—	—	—	—	—
Granted	—	—	—	—	423	51
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	423	51
Outstanding	—	—	—	—	—	—
After vested						
As of February 28, 2010	157	21	171	38	—	—
Vested	—	—	—	—	423	51
Exercised	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Outstanding	157	21	171	38	423	51

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2	Third grant-1	Third grant-2
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	—	—	—	—	—
Fair value at the grant date (a)	¥236,480 ($2,883) per subscription to share	¥236,480 ($2,883) per subscription to share	¥221,862 ($2,705) per subscription to share	¥221,862 ($2,705) per subscription to share	¥139,824 ($1,705) per subscription to share	¥139,824 ($1,705) 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 method used for valuating fair value of Third grant-1 of subscription rights to shares and Third grant-2 of subscription rights to shares during the fiscal year ended February 28, 2011 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Third grant-1	Third grant-2
Expected volatility of the underlying stock price (a)	37.62%	37.62%
Remaining expected life of the option (b)	4.81 years	4.81 years
Expected dividends on the stock (c)	¥5,200 ($63.41) per share	¥5,200 ($63.41) per share
Risk-free interest rate during the expected option term (d)	0.346%	0.346%

(a) Calculated based on the actual stock prices during the two years and five months from February 29, 2008 to August 9, 2010.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2010 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, 2010.
(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 been forfeited is reflected.

16. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2011, the Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥487 million ($5,939 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥112 million ($1,365 thousand).

As of February 28, 2010, the Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥570 million. The amount of guarantee in relation to the loans of a certain store lessor was ¥187 million.

(2) Pledged assets

A. The amount of assets pledged as collateral by the Companies for their loans from certain financial institutions as of February 28, 2011 and February 28, 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Buildings and structures	**¥ 47,970**	¥ 49,904	**$ 585,000**
Land	**100,773**	100,573	**1,228,939**
Other intangible assets	**10,151**	10,151	**123,792**
Investments in securities	**122,445**	87,034	**1,493,231**
Long-term leasehold deposits	**4,103**	4,298	**50,036**
Total	**¥285,443**	¥251,962	**$3,481,012**

Debts for the pledged assets above as of February 28, 2011 are as follows: short-term loans, ¥3,400 million ($41,463 thousand); long-term loans (including current portion), ¥154,157 million ($1,879,963 thousand); long-term accounts payable, ¥884 million ($10,780 thousand); and long-term deposits received from tenants and franchised stores, ¥138 million ($1,682 thousand).

Debts for the pledged assets above as of February 28, 2010 are as follows: short-term loans, ¥3,400 million; long-term loans (including current portion), ¥184,807 million; long-term accounts payable, ¥994 million; and long-term deposits received from tenants and franchised stores, ¥154 million.

B. The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2011 and the debts of affiliates and vendors as of February 28, 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Buildings	**¥ 523**	¥ 890	**$ 6,378**
Land	**1,368**	2,032	**16,682**
Total	**¥1,891**	¥2,922	**$23,060**

Debts of affiliates for the pledged assets above as of February 28, 2011 is ¥3,543 million ($43,207 thousand) and debts of affiliates and vendors for the pledged assets above as of February 28, 2010 is ¥3,802 million.

C. Other

As of February 28, 2011

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,630 million ($336,951 thousand) and ¥69 million ($841 thousand), respectively. The amount of assets pledged as collateral for installment sales are ¥1,586 million ($19,341 thousand). In addition, ¥1,065 million ($12,987 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2010

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,627 million and ¥69 million, respectively. The amount of assets pledged as collateral for installment sales are ¥1,586 million. In addition, ¥969 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

(As of February 28, 2011)

Seven Card Service Co., Ltd. conducts a cash loan business that is associated with its credit card business. Unused credit balance related to cash loan business is as follows.

	Millions of yen	Thousands of U.S. dollars (Note 3)
Credit availability of cash loan business	¥449,090	$5,476,707
Outstanding balance	(16,280)	(198,536)
Unused credit balance	¥432,809	$5,278,158

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

(As of February 28, 2010)

IY Card Service Co., Ltd. conducts a cash loan business that is associated with its credit card business. Unused credit balance related to cash loan business is as follows:

	Millions of yen
Credit availability of cash loan business	¥480,933
Outstanding balance	(18,832)
Unused credit balance	¥462,100

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering historical record. 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.

17. SPECIAL PURPOSE CORPORATION

As of February 28, 2011:

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 the land, land leasehold rights and part of the buildings of a store and sold the beneficiary rights of the trust to Asset Ikesei Corp., an SPC, in August 2000. Concurrently, Sogo & Seibu 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 had the beneficiary right of the trust.

On September 24, 2010, Seven & i Asset Management Co., Ltd., which is a subsidiary of the Company, purchased the beneficiary rights of the trust from Asset Ikesei Corp. The accompanying real estate trust contract was canceled and, accordingly, the related silent partnership agreement was terminated during the current fiscal year.

A summary of transaction amounts with the SPC, etc., for the fiscal year ended February 28, 2011 is as follows:

(As of February 28, 2011)

Accounts receivable (dividend)	—
Amount of investment in the silent partnership	—

(Fiscal year ended February 28, 2011)

Distribution of profit from the silent partnership	¥2,886 million ($35,195 thousand)
Dividends from liquidation	¥8,305 million ($101,280 thousand)
Lease payments	¥6,090 million ($74,268 thousand)

Sogo & Seibu had a lease agreement with the trustee. Rental expenses represent the amount that was paid to the trustee based on the rental agreement. Sogo & Seibu paid rental expenses from March 1, 2010 to September 23, 2010.

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 the land, land leasehold rights and part of the buildings of a store and sold the beneficiary rights of the trust to Asset Ikesei Corp., 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 rights 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 Corp. as of July 31, 2009 (the latest year-end) were ¥128,217 million and ¥128,196 million, 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)

Accounts receivable (dividend)	¥3,057 million
Amount of investment in the silent partnership	¥5,850 million

(Fiscal year ended February 28, 2010)

Distribution of profit from the silent partnership	¥5,588 million
Lease payments	¥10,800 million

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

18. 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.

19. 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)
	2011	2010	**2011**
Franchise commission from franchised stores	**¥ 435,873**	¥ 402,107	**$ 5,315,524**
Net sales of franchised stores	**2,839,680**	2,657,774	**34,630,243**

(2) Major items included in "Gain on sales of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Buildings and structures	**¥ 414**	¥ 268	**$ 5,048**
Land	**742**	880	**9,048**
Others	**18**	20	**219**
Total	**¥1,174**	¥1,168	**$14,317**

(3) "Gain on donations received"

Gain on donations received recorded for the fiscal year ended February 28, 2011 was received in cash.

(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)
	2011	2010	**2011**
Buildings and structures	**¥2,995**	¥3,194	**$36,524**
Furniture, fixtures and equipment	**798**	736	**9,731**
Others	**2,773**	2,212	**33,817**
Total	**¥6,566**	¥6,143	**$80,073**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22

(5) 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 the Company's consolidated subsidiary. As a result, amortization of goodwill related to this matter totaled ¥39,130 million during that period.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Advertising and decoration expenses	**¥101,218**	¥100,388	**$1,234,365**
Salaries and wages	**380,694**	394,460	**4,642,609**
Provision for allowance for bonuses to employees	**13,635**	14,331	**166,280**
Legal welfare expenses	**48,301**	47,954	**589,036**
Land and building rent	**260,034**	256,712	**3,171,146**
Depreciation and amortization	**126,674**	126,408	**1,544,804**
Utility expenses	**94,214**	94,801	**1,148,951**
Store maintenance and repair	**70,371**	69,316	**858,182**

20. RELATED PARTY TRANSACTIONS

Fiscal year ended February 28, 2011:

(1) Transactions between 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)	Business relationship	Detail of transaction	Transaction amount	Account	Year-end balance
Close relative of a director	Masatoshi Ito	—	—	—	Directly 1.9%	—	Donations received	¥5,000 million ($60,975 thousand)	—	—

Notes: 1. The transaction amount is exclusive of consumption taxes.
2. The Company received donations in cash for construction of training facilities for the Company and its subsidiaries.
3. Masatoshi Ito is the father of Junro Ito, an Executive of the Company.

(2) Transactions 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)	Business relationship	Detail of transaction	Transaction amount	Account	Year-end balance
Close relative of a director	Yasuhiro Suzuki	—	—	—	Directly 0.0%	—	Payment for shares newly issued by the Company's subsidiary through third-party allotment	¥169 million ($2,060 thousand)	—	—

Notes: 1. The transaction amount is exclusive of consumption taxes.
2. The payment was decided after taking into account third-party appraisal.
3. Yasuhiro Suzuki is a son of Toshifumi Suzuki, the Chairman of the Company.

Fiscal year ended February 28, 2010:

Transactions 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)	Business relationship	Detail of transaction	Transaction amount	Account	Year-end balance
Close relative of a director	Yasuhiro Suzuki	—	—	—	Directly 0.0%	—	Purchase of subsidiary's shares	¥199 million	—	—

Notes: 1. The transaction amount is exclusive of consumption taxes.
2. The purchase price was decided after taking into account third-party appraisal.
3. Yasuhiro Suzuki is a son of Toshifumi Suzuki, the Chairman of the Company.

21. SEGMENT INFORMATION

(1) Business segments

Millions of yen

FISCAL YEAR ENDED FEBRUARY 28, 2011	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,035,927	¥1,972,649	¥914,182	¥79,241	¥ 93,104	¥ 24,634	¥5,119,739	¥ —	¥5,119,739
Intersegment	536	8,955	923	984	13,848	10,975	36,224	(36,224)	—
Total revenues	2,036,464	1,981,604	915,105	80,225	106,953	35,610	5,155,963	(36,224)	5,119,739
Operating expenses	1,840,986	1,965,895	909,483	80,419	78,609	36,300	4,911,695	(35,302)	4,876,392
Operating income (loss)	¥ 195,477	¥ 15,708	¥ 5,622	¥ (193)	¥ 28,343	¥ (690)	¥ 244,268	¥ (921)	¥ 243,346
Assets	¥1,112,557	¥1,081,491	¥571,463	¥21,105	¥1,350,272	¥145,792	¥4,282,682	¥(550,570)	¥3,732,111
Depreciation and amortization	¥ 68,743	¥ 25,890	¥ 14,361	¥ 811	¥ 20,693	¥ 1,598	¥ 132,099	¥ 321	¥ 132,421
Impairment loss on property and equipment	¥ 5,939	¥ 4,139	¥ 10,301	¥ 378	¥ 635	¥ 59	¥ 21,454	—	¥ 21,454
Capital expenditures	¥ 91,626	¥ 44,797	¥ 25,559	¥ 443	¥ 16,979	¥127,389	¥ 306,797	¥ 2,773	¥ 309,570

Millions of yen

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	¥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

Thousands of U.S. dollars (Note 3)

FISCAL YEAR ENDED FEBRUARY 28, 2011	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	$24,828,378	$24,056,695	$11,148,560	$966,353	$ 1,135,414	$ 300,414	$62,435,841	$ —	$62,435,841
Intersegment	6,536	109,207	11,256	12,000	168,878	133,841	441,756	(441,756)	—
Total revenues	24,834,926	24,165,902	11,159,817	978,353	1,304,304	434,268	62,877,597	(441,756)	62,435,841
Operating expenses	22,451,048	23,974,329	11,091,256	980,719	958,646	442,682	59,898,719	(430,512)	59,468,195
Operating income (loss)	$ 2,383,865	$ 191,560	$ 68,560	$ (2,353)	$ 345,646	$ (8,414)	$ 2,978,878	$ (11,231)	$ 2,967,634
Assets	$13,567,768	$13,188,914	$ 6,969,060	$257,378	$16,466,731	$1,777,951	$52,227,829	$(6,714,268)	$45,513,548
Depreciation and amortization	$ 838,329	$ 315,731	$ 175,134	$ 9,890	$ 252,353	$ 19,487	$ 1,610,963	$ 3,914	$ 1,614,890
Impairment loss on property and equipment	$ 72,426	$ 50,475	$ 125,621	$ 4,609	$ 7,743	$ 719	$ 261,634	—	$ 261,634
Capital expenditures	$ 1,117,390	$ 546,304	$ 311,695	$ 5,402	$ 207,060	$1,553,524	$ 3,741,426	$ 33,817	$ 3,775,243

Notes:

1. The classification of business segments is made by the type of products and services and the type of sales.
2. 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

3. Unallocable operating expenses included in "Eliminations/corporate" represent the Company's selling, general and administrative expenses, and totaled ¥7,115 million ($86,768 thousand) for the fiscal year ended February 28, 2011 and ¥7,459 million for the fiscal year ended February 28, 2010.
4. Corporate assets included in "Eliminations/corporate" mainly represent deposits held by subsidiaries and affiliates and totaled ¥383,912 million ($4,681,853 thousand) for the fiscal year ended February 28, 2011 and ¥374,450 million for the fiscal year ended February 28, 2010.
5. 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, effective from the fiscal year ended February 28, 2010, the Company adopted PITF No.18.
As a result of this adoption, the operating income of convenience store operations for the fiscal year ended February 28, 2010 decreased by ¥7,268 million, compared to the results that would have been obtained under the former method.

(2) Geographic area segments

FISCAL YEAR ENDED FEBRUARY 28, 2011	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
Revenues:						
Customers	**¥3,552,271**	**¥1,481,434**	**¥86,033**	**¥5,119,739**	**¥ —**	**¥5,119,739**
Intersegment	**419**	**2,960**	**—**	**3,380**	**(3,380)**	**—**
Total revenues	**3,552,691**	**1,484,394**	**86,033**	**5,123,119**	**(3,380)**	**5,119,739**
Operating expenses	**3,337,459**	**1,458,164**	**84,176**	**4,879,800**	**(3,407)**	**4,876,392**
Operating income	**¥ 215,231**	**¥ 26,230**	**¥ 1,857**	**¥ 243,319**	**¥ 27**	**¥ 243,346**
Assets	**¥3,294,540**	**¥ 397,120**	**¥40,873**	**¥3,732,533**	**¥ (422)**	**¥3,732,111**

FISCAL YEAR ENDED FEBRUARY 28, 2010	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Millions of yen					
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, 2011	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
	Thousands of U.S. dollars (Note 3)					
Revenues:						
Customers	**$43,320,378**	**$18,066,268**	**$1,049,182**	**$62,435,841**	**$ —**	**$62,435,841**
Intersegment	**5,109**	**36,097**	**—**	**41,219**	**(41,219)**	**—**
Total revenues	**43,325,500**	**18,102,365**	**1,049,182**	**62,477,060**	**(41,219)**	**62,435,841**
Operating expenses	**40,700,719**	**17,782,487**	**1,026,536**	**59,509,756**	**(41,548)**	**59,468,195**
Operating income	**$ 2,624,768**	**$ 319,878**	**$ 22,646**	**$ 2,967,304**	**$ 329**	**$ 2,967,634**
Assets	**$40,177,317**	**$ 4,842,926**	**$ 498,451**	**$45,518,695**	**$ (5,146)**	**$45,513,548**

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 a result of this adoption, the operating income of North America for the fiscal year ended February 28, 2010 decreased by ¥7,268 million, compared to the results that would have been obtained under the former method.

(3) Overseas sales

FISCAL YEAR ENDED FEBRUARY 28, 2011	North America	Others	Total
	Millions of yen		
Overseas sales	**¥1,481,434**	**¥86,033**	**¥1,567,468**
Consolidated sales	**—**	**—**	**5,119,739**
Percentage of overseas sales to consolidated sales (%)	**28.9**	**1.7**	**30.6**

FISCAL YEAR ENDED FEBRUARY 28, 2010	North America	Others	Total
	Millions of yen		
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, 2011	North America	Others	Total
	Thousands of U.S. dollars (Note 3)		
Overseas sales	**$18,066,268**	**$1,049,182**	**$19,115,463**
Consolidated sales	**—**	**—**	**62,435,841**
Percentage of overseas sales to consolidated sales (%)	**28.9**	**1.7**	**30.6**

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.

22. SUBSEQUENT EVENTS

Major damage has occurred to the Company's stores and other facilities located in East Japan due to the Great East Japan Earthquake that took place on March 11, 2011. The estimated loss related to the damaged properties, facilities, and inventories as well as the recovery of such assets and other restoration activities is approximately ¥26,000 million ($317,073 thousand) in total, which is to be presented under the classification of special losses.

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, 2011 and 2010, 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, 2011 and 2010, 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 22 to the consolidated financial statements, major damage has occurred to the Company's stores and other facilities located in East Japan due to the Great East Japan Earthquake that took place on March 11, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2011 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 LLC

Tokyo, Japan
May 26, 2011

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22