Financial Section

Contents

Consolidated Financial Summary

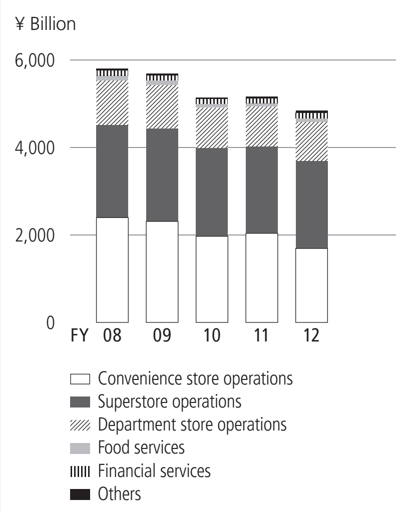
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2012, and February 28, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note A)
	2012 (Note B)	2011	2010	2012 (Note B)
For the fiscal year:				
Revenues from operations	¥4,786,344	¥5,119,739	¥5,111,297	$59,090,666
Operating income	292,060	243,346	226,666	3,605,679
Income before income taxes and minority interests	230,817	223,291	143,104	2,849,592
Net income	129,837	111,961	44,875	1,602,925
Capital expenditures (Note C)	255,426	338,656	211,189	3,153,407
Depreciation and amortization (Note D)	139,994	132,421	132,232	1,728,320
At fiscal year-end:				
Total assets	¥3,889,358	¥3,732,111	¥3,673,605	$48,016,765
Cash and cash equivalents	733,707	656,747	717,320	9,058,111
Total current assets	1,516,584	1,406,594	1,460,186	18,723,259
Total current liabilities	1,385,728	1,348,728	1,263,370	17,107,753
Long-term debt	475,811	472,111	469,074	5,874,209
Total net assets	1,860,954	1,776,512	1,793,940	22,974,740

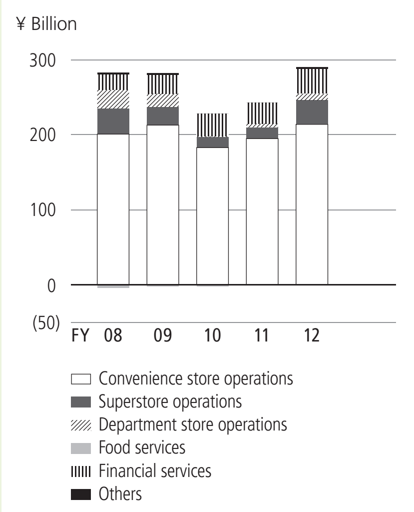
	Yen			U.S. dollars (Note A)
	2012	2011	2010	2012
Per share information:				
Net income (Basic)	¥146.96	¥126.21	¥49.67	$1.81
Net income (Diluted)	146.88	126.15	49.66	1.81
Cash dividends	62.00	57.00	56.00	0.76
Financial ratios:				
Operating income ratio (Note E)	6.1%	4.8%	4.4%	6.1%
Net income ratio (Note E)	2.7%	2.2%	0.9%	2.7%
ROE	7.5%	6.5%	2.6%	7.5%
ROA	3.4%	3.0%	1.2%	3.4%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81=US$1, the approximate rate of exchange prevailing on February 29, 2012.
(B) From the fiscal year ended December 31, 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchise agreements, from "gross amount" to "net amount."
(C) Capital expenditures include property and equipment, intangible assets, and long-term leasehold deposits.
(D) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(E) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

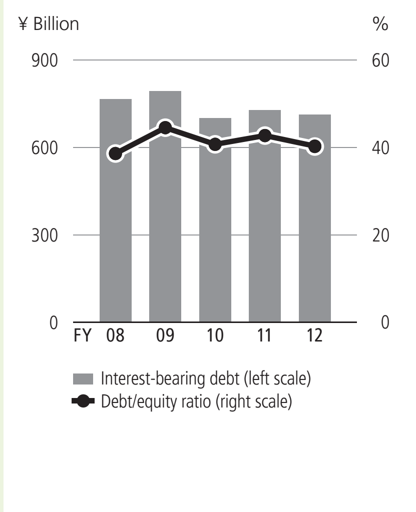
Revenues from Operations by Business Segment



Operating Income (Loss) by Business Segment



Interest-Bearing Debt Debt/Equity Ratio



Management's Discussion and Analysis

ANALYSIS OF RESULTS OF OPERATIONS

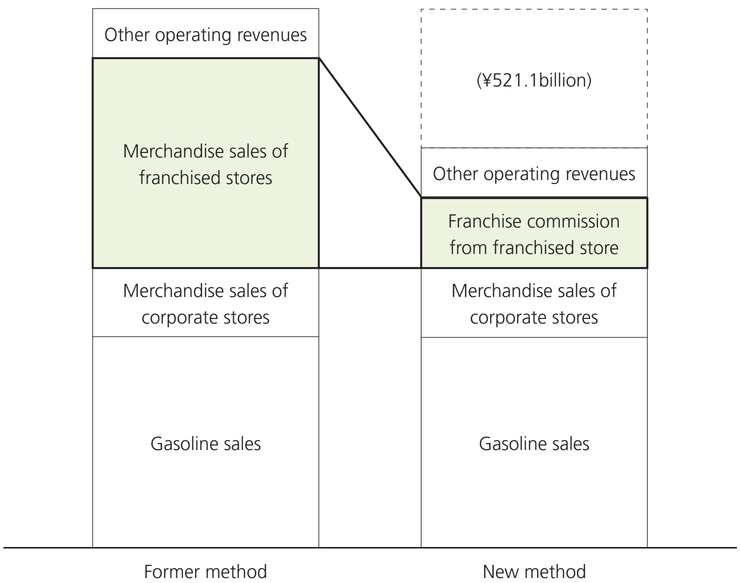
Revenues from Operations and Operating Income

In the fiscal year ended February 29, 2012, Seven & i Holdings ("the Company") recorded revenues from operations of ¥4,786.3 billion, a decrease of ¥333.3 billion year on year. This decline was due in large part to a change in accounting method applied at 7-Eleven, Inc. (SEI), which had the effect of reducing revenues from operations by ¥521.1 billion. Despite this decrease in revenues from operations, operating income increased by ¥48.7 billion year on year, to ¥292.0 billion, primarily as a result of higher income in convenience store operations and superstore operations.

Convenience Store Operations

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, took an aggressive approach to opening stores. SEJ expanded the region where it has stores with the opening of stores in Kagoshima Prefecture and strengthened its store openings in urban areas. As a result, the number of domestic stores reached 14,005 at the end of the fiscal year, an increase of 773 stores from the end of the previous fiscal year. In merchandising, targeting the realization of "close by convenient stores," SEJ bolstered its lineup of products for which daily food shopping needs are high, such as *Seven Premium* private-brand products, *sozai* prepared dishes, and vegetables. In services, SEJ also took steps to further increase convenience. We aggressively expanded administrative services, such as issuing certificates of residence and certificates of personal seal registration. In addition, we strengthened our lineup of tickets available for sale, such as for concerts and sports events. As a result of these initiatives, sales improved, and a tax increase led to higher sales of cigarettes. Sales at existing stores were up 6.7%. The cigarette tax increase had the effect of increasing the rate of growth in existing stores sales by 4.8

Change in accounting method for revenues from operations at SEI



For the previous fiscal years, SEI included sales, cost of sales, and selling, general and administrative expenses incurred at franchised stores in its consolidated financial statements. Effective from the fiscal year under review, SEI changed the accounting method and recognizes franchise commission from franchised stores as revenues from operations.

The effect of this accounting change was to decrease revenues from operations by ¥521.1 billion, with no effect on operating income and income before income taxes and minority interests.

(Reference) Difference between revenues from operations at SEJ and SEI

SEJ	SEI
Franchise commission from franchised stores	Franchise commission from franchised stores
Merchandise sales of corporate stores	Merchandise sales of corporate stores
	Gasoline sales
Other operating revenues	Other operating revenues

At SEJ, "other operating revenues" includes fee income related to services, such as payment acceptance services.

At SEI, "other operating revenues" principally includes royalties from area licensees and franchise fees from franchised stores in North America.

percentage points. Total store sales, which comprise corporate and franchised store sales, rose 11.3%, to ¥3,280.5 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 5.4%, to ¥872.6 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, were up 7.6%, to ¥852.9 billion, and sales of daily food items, which include bread, pastries, and milk, were up 12.2%, to ¥403.5 billion. Sales of nonfood products, which include cigarettes and sundries, were up 19.1%, to ¥1,151.4 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly-operated stores, were up 4.9%, to ¥576.1 billion.

In North America, SEI aggressively expanded its store network, opening 643 stores, including stores acquired from Exxon Mobil in Florida. At the end of December 2011, SEI had 7,149 stores, an increase of 539 stores year on year. SEI continued to focus on the development and sale of fresh foods, hot foods, and private-brand products. In addition, higher sales of cigarettes had a positive effect. On a dollar basis, merchandise sales at existing stores in the United States increased 2.8% year on year. Consequently, although the appreciation of the yen (¥79.80 to U.S.$1.00) had an effect, SEI's total store sales rose 10.4%, to ¥1,624.0 billion, due primarily to higher gasoline prices.

In China, SEVEN-ELEVEN (BEIJING) had 119 stores in Beijing and 28 in Tianjin as of the end of December 2011. SEVEN-ELEVEN (CHENGDU), which began to open stores in March 2011, had 41 stores as of the end of December 2011. In each of these areas, the stores met the needs of local customers and sales recorded favorable progress.

In addition to these results, a change in accounting method at SEI had the effect of reducing revenues from operations by ¥521.1 billion. Consequently, revenues from operations in convenience store operations were ¥1,690.9 billion, down 17.0% year on year, while operating income was ¥214.6 billion, up 9.8% year on year. The appreciation of the yen had the effect of reducing revenues from operations by about ¥109.0 billion and operating income by about ¥3.3 billion.

Superstore Operations

In apparel, in order to further strengthen development and sales of private-brand products, Ito-Yokado launched *good day*, a casual fashion brand, in addition to functional underwear and the *L&B GALLORIA* brand of women's wear and other clothing. In addition, to emphasize the value of these products, we implemented promotions utilizing the media. In food, we worked to provide safe, secure products and to strengthen our lineup of high-quality products. However, consumers continued to strongly limit their spending, and, as a matter of policy, we limited large-scale sales promotions. Consequently, sales at existing stores were down 2.6% year on year, and net sales were down 1.1%, to ¥1,334.2 billion. Despite the decline in sales, due to a reduction in markdown losses and other factors, profitability improved substantially. By product category, apparel sales in the fiscal year under review were down 5.9%, to ¥240.0 billion; sales of household goods declined 8.7%, to ¥173.0 billion; and sales of food were down 1.2%, to ¥648.5 billion.

York-Benimaru suffered tremendous damage due to the Great East Japan Earthquake, but as a result of strenuous restoration work, York-Benimaru was able to resume normal operations at an early date. In addition, one new store was opened in May 2011. In these ways, the entire company worked to support the full-scale reconstruction of the region affected by the March 11 earthquake.

In store initiatives, Ito-Yokado had 173 stores at the end of the fiscal year, an increase of three from a year earlier, and York-Benimaru had 176 stores, an increase of six.

As a result, revenues from operations in superstore operations were ¥1,992.2 billion, an increase of 0.5% from the previous fiscal year, and operating income was ¥32.4 billion, an increase of 106.5% from the previous fiscal year.

Department Store Operations

Sogo & Seibu worked to maximize the effects of the remodeling of the SEIBU Ikebukuro flagship store and to introduce examples of those successful reforms to other stores. In April 2011, we implemented a campaign in conjunction with a change in our member card system. In these ways, we worked to acquire new customers and to increase convenience for existing card members. Sales at existing stores were down 0.5% year on year, due primarily to a substantial decline in March, when there was reduced operating hours and scheduled blackouts following the Great East Japan Earthquake. Nonetheless, sales subsequently recovered, centered on luxury goods—such as art, jewelry, and interior goods—and food. With the objective of focusing management resources and increasing asset efficiency, we closed Sogo Hachioji in January 2012.

Consequently, revenues from operations in department store operations were ¥900.2 billion, down 1.6%, and operating income was ¥9.9 billion, an increase of 76.9%.

Food Services

In the restaurant division of Seven & i Food Systems, sales at existing stores were down 1.0% due to difficult operating conditions following the March 11 earthquake, especially in March 2011. However, we successfully invigorated existing restaurants by strengthening core menu items and improving customer service capabilities. Consequently, in the second half of the fiscal year, sales were higher year on year.

As a result, revenues from operations in food services were ¥78.0 billion, down 2.7%, and operating loss was ¥95 million, compared with an operating loss of ¥193 million a year earlier.

Financial Services

In financial services, Seven Bank continued working to install ATMs in new locations inside and outside the Group. In addition, the number of financial institutions that the bank had tie-ups with increased. In this way, it took steps to increase the convenience of using its ATMs. As of the end of February 2012, Seven Bank had 16,540 installed ATMs, an increase of 1,184 ATMs. However, due primarily to the implementation of revisions in Japan's Money Lending Business Act, there was a decline in the number of transactions made by customers of non-bank institutions. Consequently, the daily average transactions per ATM during the fiscal year was 112.2, down 0.9 transactions.

In the card business, new services were jointly introduced by Group companies with the objective of encouraging customers to visit other Group stores by standardizing points issued by Group companies. In June 2011, we launched the *Point Acceptance Service* for points earned through the use at Group companies of credit cards issued by the Group, and in September 2011, we introduced the *nanaco Point Club*, which enables members to convert points issued by each Group company into *nanaco* points.

In financial services, revenues from operations were ¥129.6 billion, up 21.2%, and operating income was ¥33.7 billion, up 19.2%, due in part to the new consolidation of Seven CS Card Service.

Others

In other operations, as a result of the contributions made by Seven & i Asset Management, revenues from operations were ¥47.4 billion, up 33.3%, and operating results improved by ¥2.9 billion from the previous fiscal year, to operating income of ¥2.3 billion. In IT operations, we took steps to expand highly convenient services utilizing the Group's infrastructure. As part of these steps, on the *Seven Net Shopping* website, which is an Internet shopping website operated by Seven Net Shopping, we opened *Net Supermarket*, which is operated by Ito-Yokado, and *e.depart*, which is operated by Sogo & Seibu.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses were ¥61.2 billion, compared with net other expense of ¥20.0 billion in the previous fiscal year. This was attributable to loss on disaster of ¥25.7 billion due to the Great East Japan Earthquake and loss on adjustment for changes of accounting standards for asset retirement obligations of ¥22.5 billion, as well as the recording in the previous year of gain on donations received by the Company and gain on liquidation of investment in silent partnership by Sogo & Seibu.

Consequently, income before income taxes and minority interests was up ¥7.5 billion, to ¥230.8 billion.

Net Income

Income before income taxes and minority interests increased, and the amount recorded for deferred tax assets rose due to the application from the following consolidated fiscal year of the consolidated tax payment system, leading to a decline in total income taxes. Consequently, net income was up ¥17.8 billion, to ¥129.8 billion. After application of tax effect accounting, the effective tax rate was 39.1%.

Net income per share was ¥146.96, an increase of ¥20.75 per share from ¥126.21 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

Total assets rose ¥157.2 billion, to ¥3,889.3 billion.

Due principally to the new consolidation of Seven CS Card Service, notes and accounts receivable, trade increased ¥148.5 billion, and trade accounts receivable, financial services rose ¥8.4 billion. As a result, total current assets were up ¥109.9 billion, to ¥1,516.5 billion.

Property and equipment rose ¥72.3 billion due to an increase in the number of SEJ stores, to SEJ's purchase of electricity-saving LED fixtures, and to SEI's acquisition of stores. In investments and other assets, investments in securities declined ¥45.5 billion due to the redemption of Japanese government bonds and municipal bonds held by Seven Bank. Consequently, total non-current assets were up ¥47.2 billion, to ¥2,372.7 billion.

The amounts of deferred tax assets recorded in current assets and non-current assets were ¥8.0 billion and ¥19.4 billion, respectively, due to the application from the following consolidated fiscal year of the consolidated tax payment system and to the recording of asset retirement obligations due to changes of accounting standards for asset retirement obligations.

Total liabilities rose ¥72.8 billion, to ¥2,028.4 billion.

Due in part to redemptions by Seven Bank, bonds, including the amount due within one year, declined ¥36.0 billion. In loans, repayments were made, principally by Sogo & Seibu, but accompanying the new consolidation of Seven CS Card Service, short-term loans increased. Consequently, the total of short-term loans and long-term loans increased by ¥13.9 billion. In addition, accompanying the application of accounting standards for asset retirement obligations, ¥43.7 billion in asset retirement obligations were recorded.

Total net assets were up ¥84.4 billion, to ¥1,860.9 billion.

Cash dividends were ¥51.2 billion, while net income was ¥129.8 billion. As a result, retained earnings increased by ¥78.4 billion.

Foreign currency translation adjustments, principally the translation of the financial statements of SEI, declined by ¥15.4 billion, and minority interests in consolidated subsidiaries increased ¥20.7 billion, due principally to the new consolidation of Seven CS Card Service.

Consequently, net assets per share were up ¥71.75 from a year earlier, to ¥1,998.84, and the owners' equity ratio was 45.4%, compared with 45.6% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") increased ¥76.9 billion, to ¥733.7 billion at fiscal year-end. This increase resulted from the following factors. Cash was used to open new stores, to remodel existing stores, and to acquire the operations of Seven CS Card Service. However, cash was provided by operations with high revenue generating capacity, centered on convenience store operations.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥462.6 billion, up ¥152.1 billion from a year earlier. Income before income taxes and minority interest rose ¥7.5 billion, and loss on adjustment for changes of accounting standard for asset retirement obligations was ¥22.5 billion. In addition, net decrease in call loan in banking business was ¥115.0 billion, compared with net increase in call loan in banking business of ¥104.0 billion in the previous fiscal year.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥342.8 billion, an increase of ¥30.7 billion from the previous fiscal year. At Seven Bank, payment for purchase of investments in securities declined ¥101.9 billion. However, in the fiscal year under review, Seven CS Card Service acquired the card business operations of Credit Saison Co., Ltd., and payment for succession of business was ¥135.7 billion. At SEI, payment for acquisition of business was ¥53.1 billion (of which, ¥20.1 billion is shown as payment for acquisition of property and equipment).

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥40.5 billion, a decrease of ¥15.6 billion from the previous fiscal year. At Seven CS Card Service, short-term loans increased, while payment for acquisition of treasury stock declined by ¥47.2 billion, and payment for redemption of bonds was down by ¥20.2 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 change 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.

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.

As of February 29, 2012, Seven-Eleven has grown into a global chain with more than 45,000 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, 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, CLUB ON / Millennium CARD SAISON credit cards, 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 through the interaction of actual 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. Seven & i Holdings and its eligible consolidated subsidiaries have introduced a consolidated taxation system in the fiscal year ending February 28, 2013.

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 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2012	2011	2012
Current assets:			
Cash and cash equivalents (Note 4)	¥ 733,707	¥ 656,747	$ 9,058,111
Notes and accounts receivable:			
Trade (Note 4)	270,953	122,411	3,345,098
Financial services	68,691	60,269	848,037
Franchisees and other	71,228	61,350	879,358
Allowance for doubtful accounts (Note 4)	(4,758)	(3,650)	(58,740)
	406,114	240,381	5,013,753
Inventories	152,205	161,110	1,879,074
Deferred income taxes (Note 10)	38,905	30,875	480,308
Prepaid expenses and other current assets (Note 4)	185,652	317,479	2,292,000
Total current assets	1,516,584	1,406,594	18,723,259
Property and equipment, at cost (Notes 7, 8, 13 and 17)	2,607,533	2,474,901	32,191,765
Less: Accumulated depreciation	(1,287,359)	(1,227,077)	(15,893,320)
	1,320,174	1,247,823	16,298,444
Intangible assets:			
Goodwill	184,305	172,186	2,275,370
Software and other (Notes 8, 13 and 17)	148,851	152,469	1,837,666
	333,156	324,655	4,113,037
Investments and other assets:			
Investments in securities (Notes 4, 5 and 17)	181,863	227,371	2,245,222
Long-term loans receivable	18,279	18,675	225,666
Long-term leasehold deposits (Notes 4 and 17)	412,098	418,585	5,087,629
Prepaid pension cost (Note 11)	6,674	9,978	82,395
Deferred income taxes (Note 10)	40,147	20,717	495,641
Other	66,538	64,158	821,456
Allowance for doubtful accounts (Note 4)	(6,160)	(6,450)	(76,049)
	719,442	753,037	8,882,000
Total assets	¥3,889,358	¥3,732,111	$48,016,765

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

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2012
Current liabilities:			
Short-term loans (Notes 12 and 17)	¥ 139,690	¥ 108,330	$ 1,724,567
Current portion of long-term debt (Notes 4, 12 and 17)	128,145	175,212	1,582,037
Notes and accounts payable:			
Trade (Notes 4 and 6)	195,347	178,029	2,411,691
Trade for franchised stores (Notes 4 and 19)	120,724	106,766	1,490,419
Other	146,098	113,635	1,803,679
	462,170	398,430	5,705,802
Accrued expenses	71,700	75,300	885,185
Income taxes payable	58,295	51,007	719,691
Deposits received	116,569	138,527	1,439,123
Deposits received in banking business (Note 4)	288,228	275,696	3,558,370
Allowance for bonuses to employees	14,755	13,685	182,160
Allowance for sales promotion expenses	15,092	16,261	186,320
Allowance for loss on future collection of gift certificates	4,089	2,544	50,481
Provision for loss on disaster	1,063	—	13,123
Other (Notes 4 and 12)	85,927	93,731	1,060,827
Total current liabilities	1,385,728	1,348,728	17,107,753
Long-term debt (Notes 4, 6, 10 and 17)	475,811	472,111	5,874,209
Allowance for accrued pension and severance costs (Note 11)	3,796	3,356	46,864
Allowance for retirement benefits to directors and corporate auditors	2,191	2,292	27,049
Deferred income taxes (Note 10)	34,550	35,955	426,543
Deposits received from tenants and franchised stores (Notes 4 and 17)	55,380	56,048	683,703
Asset retirement obligations (Note 14)	43,740	7,056	540,000
Other liabilities (Notes 12 and 17)	27,204	30,049	335,851
Total liabilities	2,028,403	1,955,599	25,042,012
Commitments and contingent liabilities (Note 17)			
Net assets (Note 15):			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2012 and 2011	50,000	50,000	617,283
Capital surplus	526,886	526,899	6,504,765
Retained earnings	1,312,613	1,234,204	16,205,098
Treasury stock, at cost, 2,935,526 shares in 2012 and 2,978,750 shares in 2011	(7,212)	(7,320)	(89,037)
	1,882,287	1,803,783	23,238,111
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	3,360	3,226	41,481
Unrealized losses on hedging derivatives, net of taxes	(3)	(328)	(37)
Foreign currency translation adjustments	(119,661)	(104,167)	(1,477,296)
Total accumulated other comprehensive income	(116,303)	(101,268)	(1,435,839)
Subscription rights to shares (Note 16)	1,222	981	15,086
Minority interests in consolidated subsidiaries	93,748	73,016	1,157,382
Total net assets	1,860,954	1,776,512	22,974,740
Total liabilities and net assets	¥3,889,358	¥3,732,111	$48,016,765

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Revenues from operations:			
Net sales	¥4,013,617	¥4,530,684	$49,550,827
Other operating revenues (Note 20)	772,727	589,054	9,539,839
	4,786,344	5,119,739	59,090,666
Costs and expenses:			
Cost of sales	3,078,575	3,364,412	38,007,098
Selling, general and administrative expenses (Notes 11, 13 and 20)	1,415,708	1,511,980	17,447,876
	4,494,284	4,876,392	55,484,987
Operating income	292,060	243,346	3,605,679
Other income (expenses):			
Interest and dividend income	5,802	6,049	71,629
Interest expenses and interest on bonds	(6,974)	(7,753)	(86,098)
Equity in earnings of affiliates	2,061	1,007	25,444
Impairment loss on property and equipment (Note 8)	(14,460)	(21,454)	(178,518)
Gain on sales of property and equipment (Note 20)	2,135	1,174	26,358
Loss on disposals of property and equipment (Note 20)	(5,468)	(6,566)	(67,506)
Gain on donations received (Notes 20 and 21)	—	7,000	—
Gain on liquidation of investment in silent partnership (Note 18)	—	8,305	—
Subsidy income related to urban redevelopment project	—	3,590	—
Gain on sales of investments in securities (Note 5)	1,198	1,367	14,790
Gain on changes in accounting policies applied to foreign subsidiary	4,503	—	55,592
Loss on disaster (Note 20)	(25,741)	—	(317,790)
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 14)	(22,500)	—	(277,777)
Other, net (Note 5)	(1,799)	(12,776)	(22,209)
	(61,242)	(20,054)	(756,074)
Income before income taxes and minority interests	230,817	223,291	2,849,592
Income taxes (Note 10):			
Current	116,366	97,602	1,436,617
Deferred	(26,109)	4,696	(322,333)
	90,257	102,298	1,114,283
Income before minority interests	140,559	120,993	1,735,296
Minority interests in income	10,722	9,031	132,370
Net income	¥ 129,837	¥ 111,961	$ 1,602,925

	Yen		U.S. dollars (Note 3)
	2012	2011	2012
Per share information:			
Net income (Basic)	¥146.96	¥126.21	$1.81
Net income (Diluted)	146.88	126.15	1.81
Cash dividends	62.00	57.00	0.76

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

Consolidated Statements of Comprehensive Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Income before minority interests	¥140,559	¥120,993	$1,735,296
Other comprehensive income			
Unrealized gains (losses) on available-for-sale securities, net of taxes	103	24	1,271
Unrealized gains (losses) on hedging derivatives, net of taxes	328	219	4,049
Foreign currency translation adjustments	(15,481)	(34,808)	(191,123)
Share of other comprehensive income of associates accounted for using equity method	(5)	2	(61)
Total other comprehensive income	(15,055)	(34,562)	(185,864)
Comprehensive income	¥125,504	¥86,430	$1,549,432
Comprehensive income attributable to:			
Owners of the parent	¥114,802	¥77,790	$1,417,308
Minority interests	10,701	8,640	132,111

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 29, 2012 and February 28, 2011

	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, 2010	¥50,000	¥576,072	¥1,172,263	¥ (9,270)	¥3,227	¥(549)	¥ (69,776)	¥ 721	¥71,251	¥1,793,940
Net income			111,961							111,961
Increase (decrease) 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
Net income			129,837							129,837
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(184)							(184)
Cash dividends			(51,243)							(51,243)
Purchase of treasury stock				(10)						(10)
Disposal of treasury stock		(12)		123						110
Other				(5)						(5)
Net (decrease) increase for the year					133	325	(15,494)	241	20,731	5,938
Balance at February 29, 2012	¥50,000	¥526,886	¥1,312,613	¥ (7,212)	¥3,360	¥ (3)	¥(119,661)	¥1,222	¥93,748	¥1,860,954

	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, 2011	$617,283	$6,504,925	$15,237,086	$(90,370)	$39,827	$(4,049)	$(1,286,012)	$12,111	$ 901,432	$21,932,246
Net income			1,602,925							1,602,925
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(2,271)							(2,271)
Cash dividends			(632,629)							(632,629)
Purchase of treasury stock				(123)						(123)
Disposal of treasury stock		(148)		1,518						1,358
Other				(61)						(61)
Net (decrease) increase for the year					1,641	4,012	(191,283)	2,975	255,938	73,308
Balance at February 29, 2012	$617,283	$6,504,765	$16,205,098	$(89,037)	$41,481	$ (37)	$(1,477,296)	$15,086	$1,157,382	$22,974,740

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 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 230,817	¥ 223,291	$ 2,849,592
Depreciation and amortization	139,994	132,421	1,728,320
Impairment loss on property and equipment	14,460	21,454	178,518
Amortization of goodwill	12,915	16,606	159,444
Increase (decrease) in allowance for bonuses to employees	1,032	(691)	12,740
Decrease (increase) in prepaid pension cost	3,303	2,170	40,777
Interest and dividend income	(5,802)	(6,049)	(71,629)
Interest expenses and interest on bonds	6,974	7,753	86,098
Equity in losses (earnings) of affiliates	(2,061)	(1,007)	(25,444)
Gain on sales of property and equipment	(2,135)	(1,174)	(26,358)
Loss on disposals of property and equipment	5,468	6,566	67,506
Gain on changes in accounting policies applied to foreign subsidiary	(4,503)	—	(55,592)
Loss on adjustment for changes of accounting standard for asset retirement obligations	22,500	—	277,777
Gain on liquidation of investment in silent partnership	—	(8,305)	—
Subsidy income related to urban redevelopment project	—	(3,590)	—
Decrease (increase) in notes and accounts receivable, trade	(12,530)	(4,523)	(154,691)
Decrease (increase) in trade accounts receivable, financial services	12,651	7,973	156,185
Decrease (increase) in inventories	(10,110)	(4,298)	(124,814)
Increase (decrease) in notes and accounts payable, trade	32,861	(3,311)	405,691
Increase (decrease) in deposits received	(10,145)	(12,866)	(125,246)
Net increase (decrease) in loans in banking business	(3,200)	(15,500)	(39,506)
Net increase (decrease) in bonds in banking business	(36,000)	—	(444,444)
Net increase (decrease) in deposits received in banking business	12,532	89,950	154,716
Net decrease (increase) in call loan in banking business	115,000	(104,000)	1,419,753
Net increase (decrease) in call money in banking business	(7,000)	(32,900)	(86,419)
Net change in ATM-related temporary accounts	3,739	66,434	46,160
Other	50,720	14,027	626,172
Sub-total	571,482	390,431	7,055,333
Interest and dividends received	3,017	3,205	37,246
Interest paid	(7,092)	(7,859)	(87,555)
Income taxes paid	(104,765)	(75,248)	(1,293,395)
Net cash provided by operating activities	462,642	310,527	5,711,629
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(209,604)	(232,270)	(2,587,703)
Proceeds from sales of property and equipment	12,543	5,335	154,851
Acquisition of intangible assets	(11,193)	(75,313)	(138,185)
Payment for purchase of investments in securities	(178,692)	(280,601)	(2,206,074)
Proceeds from sales of investments in securities	224,549	249,696	2,772,209
Payment for purchase of investments in subsidiaries	(2,151)	—	(26,555)
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	(18,279)	—	(225,666)
Payment for long-term leasehold deposits	(22,365)	(26,513)	(276,111)
Refund of long-term leasehold deposits	29,849	40,282	368,506
Proceeds from deposits from tenants	5,333	5,830	65,839
Refund of deposits from tenants	(5,276)	(4,747)	(65,135)
Payment for acquisition of treasury stock of subsidiary in consolidation	—	(4,999)	—
Proceeds from liquidation of investment in silent partnership	—	8,305	—
Proceeds from subsidy income related to urban redevelopment project	2,545	1,045	31,419
Payment for succession of business (Note 9)	(135,794)	—	(1,676,469)
Payment for acquisition of business (Note 9)	(32,979)	—	(407,148)
Payment for time deposits	(13,020)	(12,339)	(160,740)
Payment for negotiable certificates of deposits	—	(45,000)	—
Proceeds from withdrawal of time deposits	15,987	20,831	197,370
Proceeds from withdrawal of negotiable certificates of deposits	—	40,000	—
Other	(4,257)	(1,623)	(52,555)
Net cash used in investing activities	(342,805)	(312,081)	(4,232,160)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	38,324	(38,370)	473,135
Proceeds from long-term debts	113,480	60,040	1,400,987
Repayment of long-term debts	(134,666)	(67,638)	(1,662,543)
Proceeds from commercial paper	369,009	360,321	4,555,666
Payment for redemption of commercial paper	(361,252)	(360,075)	(4,459,901)
Proceeds from issuance of bonds	—	109,624	—
Payment for redemption of bonds	(100)	(20,385)	(1,234)
Dividends paid	(51,258)	(50,022)	(632,814)
Capital contribution from minority interests	222	651	2,740
Dividends paid for minority interests	(3,596)	(3,774)	(44,395)
Payment for acquisitions of treasury stock	(10)	(47,290)	(123)
Other	(10,713)	660	(132,259)
Net cash used in financing activities	(40,561)	(56,258)	(500,753)
Effect of exchange rate changes on cash and cash equivalents	(2,314)	(2,760)	(28,567)
Net increase (decrease) in cash and cash equivalents	76,960	(60,573)	950,123
Cash and cash equivalents at beginning of year	656,747	717,320	8,107,987
Cash and cash equivalents at end of year	¥ 733,707	¥ 656,747	$ 9,058,111

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

FINANCIAL SECTION

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 ("IFRS"), 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. The accounts of the Company's foreign consolidated subsidiaries are prepared in accordance with either 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 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 87 subsidiaries (84 subsidiaries as of February 28, 2011) 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 following the acquisition of shares of Seven CS Card Service Co., Ltd., WFI Group, Inc., Wilson Farms, Inc., and Wilson Farms Assets, LLC. and the establishment of Seven Farm Hokkaido Co., Ltd.

On the other hand, two consolidated subsidiaries were excluded from the scope of consolidation in the current fiscal year due to the following reason. On March 1, 2011, SEVEN & i FINANCIAL GROUP CO., LTD. and Seven Cash Works Co., Ltd. were dissolved due to an absorption-type merger with SE CAPITAL CORPORATION being the surviving entity. SE CAPITAL CORPORATION changed its name to Seven Financial Service Co., Ltd. on the same day.

The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from January 1 to February 29 are adjusted for in the consolidation process.

Seven-Meal Service Co., Ltd. has changed its fiscal year-end from December 31 to the end of February. As a result, income and loss for the period from January 1, 2011 to February 29, 2012 was consolidated.

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

Nineteen affiliates (18 affiliates as of February 28, 2011) 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 29, 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.

(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 FIFO method (except for gasoline inventory for which the weighted-average cost method was newly adopted) for foreign consolidated subsidiaries.

(Change in valuation method of inventories)

Effective from the fiscal year ended February 29, 2012, 7-Eleven, Inc. changed its valuation method for inventories from the LIFO method to the FIFO method (except for gasoline inventory for which the weighted-average cost method was newly adopted).

This change in valuation method of inventories reflects the current value of inventories in the Consolidated Balance Sheet, taking into consideration the current price fluctuations that had been resulting in major difference between the carrying amount and the fair value.

As a result of this change, the Company recognized gains of ¥4,503 million ($55,592 thousand). Income before income taxes and minority interests increased by the same amount.

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 that occurred until February 28, 2011 are mainly amortized over a period of 20 years on a straight-line basis, or charged to income, if it is immaterial. Negative goodwill arising from consolidated subsidiaries that occurred after March 1, 2011 are charged to income when incurred. 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

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 Companies provide the allowance at the amount the sales promotion points are expected to be utilized, following the change of the sales promotion point card program.

(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) Provision for loss on disaster

Provision for loss on disaster is provided at the amount considered to be appropriate based on the estimation of expenses for the restoration of properties and facilities damaged by the Great East Japan Earthquake and related losses.

(f) 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 29, 2012 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 5 years or 10 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 the Accounting Standards Board of Japan (the "ASBJ") on July 31, 2008).

(g) 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 29, 2012 and February 28, 2011 are ¥1,998.84 ($24.67) and ¥1,927.09, respectively. Net income per share for the fiscal years ended February 29, 2012 and February 28, 2011 are ¥146.96 ($1.81) and ¥126.21, respectively. Diluted net income per share for the fiscal years ended February 29, 2012 and February 28, 2011 are ¥146.88 ($1.81) and ¥126.15, 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 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Net income	¥129,837	¥111,961	$1,602,925
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥129,837	¥111,961	$1,602,925
Weighted-average number of shares of common stock outstanding (shares)	883,499,397	887,128,871	—

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

Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. recognize franchise commission from their franchised stores as revenues and includes it in "Other operating revenues."

(Changes in presentations related to franchise accounting of 7-Eleven, Inc.)
For the previous fiscal years, 7-Eleven, Inc., the Company's consolidated subsidiary in the U.S., included sales, cost of sales, and selling, general and administrative expenses incurred at franchisees in its consolidated financial statements. Effective from the fiscal year ended February 29, 2012, 7-Eleven, Inc. changed the presentation and recognized franchise commission from franchised stores as other operating revenues, to conform to the presentation adopted by other convenience store operations.

As a result of this change, revenues from operations decreased by ¥521,199 million ($6,434,555 thousand) with no effect on operating income and income before income taxes and minority interests.

(17) Change in significant accounting policies for the preparation of Consolidated Financial Statements

(Application of Accounting Standard for Asset Retirement Obligations)
Effective from the fiscal year ended February 29, 2012, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

As a result of this change, operating income decreased by ¥1,911 million ($23,592 thousand) and income before income taxes and minority interests decreased by ¥24,412 million ($301,382 thousand). The amount of fluctuation in asset retirement obligations due to the application of this accounting standard totaled ¥33,233 million ($410,283 thousand).

(Application of Accounting Standard for Business Combination and Others)
Effective from the fiscal year ended February 29, 2012, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

(Accounting for introduction of tax consolidation)
The Company has applied filing a tax return under the consolidated corporate-tax filing system from the fiscal year ending February 28, 2013, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Accordingly the parent company and its wholly owned domestic subsidiaries are accounting based on "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force (PITF) No. 5, March 18, 2011) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7, June 30, 2010).

(Accounting Standard for Presentation of Comprehensive Income)
Effective from the fiscal year ended February 29, 2012, the Company has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). The amounts presented as "Total accumulated other comprehensive income" as of February 28, 2011, represents "Accumulated gains (losses) from valuation and translation adjustments" for the previous fiscal year.

(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 ¥81=US$1, the approximate rate of exchange prevailing on February 29, 2012. 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 years ended February 29, 2012 and 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.

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 receivables and payables 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 29, 2012 and 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		
	2012		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 733,707	¥ 733,707	¥ —
Notes and accounts receivable, trade	270,953		
Allowance for doubtful accounts [a]	(2,284)		
	268,668	271,422	2,753
Marketable securities and investments in securities	151,300	151,081	(218)
Long-term leasehold deposits [b]	302,925		
Allowance for doubtful accounts [c]	(954)		
	301,971	296,948	(5,022)
Total assets	1,498,672	1,496,185	(2,487)
Notes and accounts payable, trade [d]	316,072	316,072	—
Deposits received in banking business	288,228	289,061	832
Bonds [e]	263,978	272,131	8,153
Long-term loans [f]	286,953	287,804	850
Deposits received from tenants and franchised stores [g]	21,697	19,451	(2,245)
Total liabilities	1,176,929	1,184,520	7,591
Derivative instruments [h]	¥ 126	¥ 126	¥ —

	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)		
	2012		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 9,058,111	$ 9,058,111	$ —
Notes and accounts receivable, trade	3,345,098		
Allowance for doubtful accounts [(a)]	(28,197)		
	3,316,888	3,350,888	33,987
Marketable securities and investments in securities	1,867,901	1,865,197	(2,691)
Long-term leasehold deposits [(b)]	3,739,814		
Allowance for doubtful accounts [(c)]	(11,777)		
	3,728,037	3,666,024	(62,000)
Total assets	18,502,123	18,471,419	(30,703)
Notes and accounts payable, trade [(d)]	3,902,123	3,902,123	—
Deposits received in banking business	3,558,370	3,568,654	10,271
Bonds [(e)]	3,258,987	3,359,641	100,654
Long-term loans [(f)]	3,542,629	3,553,135	10,493
Deposits received from tenants and franchised stores [(g)]	267,864	240,135	(27,716)
Total liabilities	14,529,987	14,623,703	93,716
Derivative instruments [(h)]	$ 1,555	$ 1,555	$ —

(a) The amount of allowance for doubtful accounts relates only to notes and accounts 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 redemption 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 debt securities, 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)
	2012	2011	2012
		Book value	
Investments in securities [a]			
Non-listed securities	¥ 15,242	¥ 15,266	$ 188,172
Shares of affiliates	14,974	11,539	184,864
Other	370	430	4,567
Long-term leasehold deposits [b]	125,825	125,543	1,553,395
Deposits received from tenants and franchised stores [b]	¥ 38,024	¥ 35,836	$ 469,432

(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			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥ 733,707	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	262,429	7,874	608	40
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	—	420	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	101,500	26,010	—	—
Other	25	—	—	—
Long-term leasehold deposits	31,650	88,161	78,017	105,097
Total	¥1,129,311	¥122,465	¥78,626	¥105,138

	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)			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$ 9,058,111	$ —	$ —	$ —
Notes and accounts receivable, trade	3,239,864	97,209	7,506	493
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	—	5,185	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	1,253,086	321,111	—	—
Other	308	—	—	—
Long-term leasehold deposits	390,740	1,088,407	963,172	1,297,493
Total	$13,942,111	$1,511,913	$970,691	$1,298,000

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

	Millions of yen			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥225,341	¥62,887	—	—

	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)			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$2,781,987	$776,382	—	—

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."

5. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value was available as of February 29, 2012 and February 28, 2011:

	Millions of yen		
	2012		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥422	¥426	¥3
Total	¥422	¥426	¥3

	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

	Thousands of U.S. dollars (Note 3)		
	2012		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$5,209	$5,259	$37
Total	$5,209	$5,259	$37

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 29, 2012 and February 28, 2011 (excluding non-marketable securities of ¥15,242 million ($188,173 thousand) and ¥15,266 million as of February 29, 2012 and February 28, 2011, respectively):

	Millions of yen		
	2012		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 14,338	¥ 8,888	¥ 5,450
Debt securities			
Governmental and municipal bonds, etc.	48,650	48,642	7
Sub-total	62,988	57,530	5,457
Securities with book value not exceeding acquisition cost:			
Equity securities	6,056	7,773	(1,716)
Debt securities			
Governmental and municipal bonds, etc.	79,084	79,103	(18)
Others	25	25	0
Sub-total	85,166	86,901	(1,735)
Total	¥148,155	¥144,432	¥ 3,722

	Millions of yen		
	2011		
	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

	Thousands of U.S. dollars (Note 3)		
	2012		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 177,012	$ 109,728	$ 67,283
Debt securities			
Governmental and municipal bonds, etc.	600,617	600,518	86
Sub-total	777,629	710,246	67,370
Securities with book value not exceeding acquisition cost:			
Equity securities	74,765	95,962	(21,185)
Debt securities			
Governmental and municipal bonds, etc.	976,345	976,580	(222)
Others	308	308	0
Sub-total	1,051,432	1,072,851	(21,419)
Total	$1,829,074	$1,783,111	$ 45,950

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
TYPE	2012	2011	2012
Sales amounts	¥5,285	¥2,845	$65,246
Gain on sales of available-for-sale securities	1,198	1,367	14,790

(4) Impairment loss on securities

For the fiscal years ended February 29, 2012 and February 28, 2011, the Companies recognized ¥413 million ($5,098 thousand) and ¥10 million as impairment loss on securities, respectively.

The Companies consider 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 Companies assess 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 29, 2012 and February 28, 2011 are ¥17,697 million ($218,481 thousand) and ¥14,346 million, respectively.

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 29, 2012 and February 28, 2011 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 29, 2012)

(1) Currency-related transactions

	Millions of yen			
	2012			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After one year		
Forward exchange contracts:				
Buy U.S. dollar	¥4,028	—	¥4,154	¥125
Buy euro	87	—	88	0

	Thousands of U.S. dollars (Note 3)			
	2012			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After one year		
Forward exchange contracts:				
Buy U.S. dollar	$49,728	—	$51,283	$1,543
Buy euro	1,074	—	1,086	0

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 29, 2012)

(1) Interest rate related transactions

	Millions of yen		
	2012		
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	¥5,000	¥5,000	—[a]

	Thousands of U.S. dollars (Note 3)		
	2012		
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	$61,728	$61,728	—[a]

(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, 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

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)

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]

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."

7. PROPERTY AND EQUIPMENT

Property and equipment at February 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Buildings and structures	¥ 1,525,567	¥ 1,418,705	$ 18,834,160
Furniture, fixtures and other	474,874	465,369	5,862,641
	2,000,442	1,884,074	24,696,814
Less: Accumulated depreciation	(1,287,359)	(1,227,077)	(15,893,320)
	713,083	656,997	8,803,493
Land	590,524	581,185	7,290,419
Construction in progress	16,566	9,640	204,518
Total	¥ 1,320,174	¥ 1,247,823	$ 16,298,444

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 29, 2012 and February 28, 2011, the Companies recognized ¥14,460 million ($178,518 thousand) and ¥21,454 million of impairment loss, respectively, on the following groups of assets:

Fiscal year ended February 29, 2012:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 47 stores Osaka Pref. 46 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 14 stores Saitama Pref. 12 stores Others 27 stores	¥13,721	$169,395
Stores (Department stores)	Land and buildings, etc.	Shizuoka Pref. 1 store Others 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 38 stores		
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	739	9,123
Total			¥14,460	$178,518

Fiscal year ended February 28, 2011:

Description	Classification	Location	Millions of yen
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
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
Total			¥21,454

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 29, 2012 and February 28, 2011 are as follows:

Fiscal year ended February 29, 2012:

	Millions of yen			Thousands of U.S. dollars (Note 3)
CLASSIFICATION	Stores	Other facilities, etc.	Total	
Buildings and structures	¥ 7,616	¥200	¥ 7,816	$ 96,493
Land	5,024	328	5,353	66,086
Software	5	94	99	1,222
Other	1,075	116	1,191	14,703
Total	¥13,721	¥739	¥14,460	$178,518

Fiscal year ended February 28, 2011:

	Millions of yen		
CLASSIFICATION	Stores	Other facilities, etc.	Total
Buildings and structures	¥10,652	¥ 144	¥10,797
Land	7,331	14	7,345
Software	—	950	950
Other	2,216	144	2,361
Total	¥20,200	¥1,253	¥21,454

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 1.8–6.0% discount rates in 2012 and the 1.7–6.0% in 2011 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Payment for succession of business

"Payment for succession of business" represents the amount paid by Seven CS Card Service Co., Ltd. for the succession of business to Credit Saison Co., Ltd.

(2) Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly consolidated

Seven CS Card Service Co., Ltd.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2012	2012
Current assets	¥ 158,447	$ 1,956,135
Non-current assets	132	1,629
Deferred assets	394	4,864
Goodwill	7,251	89,518
Current liabilities	(137,059)	(1,692,086)
Minority interests	(10,738)	(132,567)
Acquisition cost	18,428	227,506
Cash and cash equivalents	(148)	(1,827)
Payment for acquisition of investments	¥ 18,279	$ 225,666

(3) Major non-cash transansaction

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Finance lease obligation for property and equipment recorded for the fiscal year	¥12,491	¥11,867	$154,209
Asset retirement obligations recorded in the Consolidated Balance Sheet for the current fiscal year	¥38,130	—	$470,740

(4) Acquisition of business

For the year ended February 29, 2012, 7-Eleven, Inc. acquired businesses. The acquired assets and liabilities from acquisition of businesses are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2012	2012
Inventories	¥ 8,747	$107,987
Goodwill	22,795	281,419
Current liabilities	(5,256)	(64,888)
Other	6,693	82,629
Sub-total	32,979	407,148
Property and equipment	20,181	249,148
Total	¥53,160	$656,296

Property and equipment set out above at an amount of ¥20,181 million ($249,148 thousand) is included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 29, 2012.

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 29, 2012 and February 28, 2011.

The significant components of deferred tax assets and liabilities as of February 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Deferred tax assets:			
Allowance for bonuses to employees	¥ 5,954	¥ 5,622	$ 73,506
Allowance for sales promotion expenses	5,921	6,269	73,098
Accrued payroll	4,647	3,939	57,370
Allowance for retirement benefits to directors and corporate auditors	893	928	11,024
Allowance for accrued pension and severance costs	579	558	7,148
Allowance for loss on future collection of gift certificates	1,572	1,035	19,407
Deposit received in relation to the electronic money business	4,673	4,254	57,691
Depreciation and amortization	13,196	14,148	162,913
Tax loss carried forward	35,380	44,650	436,790
Valuation loss on available-for-sale securities	1,170	1,262	14,444
Allowance for doubtful accounts	3,040	3,145	37,530
Unrealized loss on property and equipment	12,307	13,062	151,938
Impairment loss on property and equipment and valuation loss on land	41,681	42,042	514,580
Accrued enterprise taxes and business office taxes	5,555	5,219	68,580
Accrued expenses	7,718	8,141	95,283
Asset retirement obligations	13,377	—	165,148
Rights of trademark	9,112	—	112,493
Other	21,488	12,811	265,283
Sub-total	188,273	167,093	2,324,358
Less: Valuation allowance	(83,895)	(97,330)	(1,035,740)
Total	¥104,377	¥ 69,763	$1,288,604
Deferred tax liabilities:			
Unrealized gains on property and equipment	¥ (33,728)	¥ (31,334)	$ (416,395)
Royalties, etc.	(9,533)	(10,356)	(117,691)
Reserve for advanced depreciation of property and equipment	(1,063)	(1,093)	(13,123)
Unrealized gains on available-for-sale securities	(1,017)	(636)	(12,555)
Prepaid pension cost	(2,362)	(4,003)	(29,160)
Unrealized intercompany profit	(4,704)	(5,372)	(58,074)
Removal cost related to asset retirement obligations	(4,499)	—	(55,543)
Other	(2,965)	(1,328)	(36,604)
Total	(59,874)	(54,125)	(739,185)
Net deferred tax assets [(a)]	¥ 44,502	¥ 15,637	$ 549,407

(a) Net deferred tax assets are included in the assets and liabilities shown below.

	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 3) 2012
Current assets—Deferred income taxes	¥ 38,905	¥ 30,875	$ 480,308
Other assets—Deferred income taxes	40,147	20,717	495,641
Non-current liabilities—Deferred income taxes	(34,550)	(35,955)	(426,543)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 29, 2012 and February 28, 2011 are as follows:

	2012	2011
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.4)	(0.2)
Amortization of goodwill	2.3	3.0
Non-deductible items, such as entertainment expenses	0.2	0.2
Decrease in valuation allowance	(0.7)	(0.8)
Inhabitant taxes per capita	0.6	0.6
Effect from the adoption of consolidated corporate-tax filing system	(4.3)	—
Effect of revised corporate tax rate	1.6	—
Elimination of gain on sales of subsidiaries' stock for consolidation	—	2.4
Other	(0.9)	(0.1)
Effective tax rate	39.1%	45.8%

Amendment of deferred income taxes assets and deferred taxes liabilities due to change in the income tax rate
(Fiscal year ended February 29, 2012)
Following the promulgation on December 2, 2011 of "Act for Partial revision of the Income Tax Act, etc. for the purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporate tax rate will be reduced and the special corporate tax for recovery will be effective from the fiscal years beginning on or after April l, 2012.

As a result of this application, the effective tax rates, which are used to calculate deferred income taxes, will be reduced to 38.0% from 40.7% for temporary differences that are expected to be eliminated during the period from the fiscal year beginning on March 1, 2013 through the fiscal year beginning on March 1, 2015 and to 35.6% from 38.0% for temporary differences that are expected to be eliminated in or after the fiscal year beginning on or after March 1, 2016.

As a result of this change, deferred income taxes decreased ¥3,608 million ($44,543 thousand) and income taxes, deferred increased ¥3,609 million ($44,555 thousand).

11. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries mainly provide the employee pension fund plan in the form of a defined benefit plan, although 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 2012	2011	Thousands of U.S. dollars (Note 3) 2012
Projected benefit obligations [a]	¥(202,157)	¥(197,559)	$(2,495,765)
Fair value of plan assets (including employee retirement benefit trust)	171,852	168,688	2,121,629
Unrecognized actuarial differences	32,809	34,975	405,049
Unrecognized prior service cost	374	517	4,617
Prepaid pension cost, net of allowance for accrued pension and severance costs	2,878	6,621	35,530
Prepaid pension cost	6,674	9,978	82,395
Allowance for accrued pension and severance costs	¥ (3,796)	¥ (3,356)	$ (46,864)

(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)
	2012	2011	2012
Service cost [a]	¥11,599	¥11,753	$143,197
Interest cost	4,054	3,961	50,049
Expected return on plan assets	(4,201)	(4,710)	(51,864)
Amortization of actuarial differences	5,253	5,578	64,851
Amortization of prior service cost	151	(515)	1,864
Additional retirement benefits for early retirement	130	1,511	1,604
Net periodic benefit cost [b]	¥16,987	¥17,578	$209,716

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

(b) Besides the above net periodic benefit cost, ¥614 million ($7,580 thousand) and ¥535 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 29, 2012 and February 28, 2011, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

		2012	2011
Allocation method of estimated total retirement benefits		Point basis	Point basis
Discount rate:	Mainly	2.0%	2.0%
	Consolidated subsidiaries in the United States	5.0%	5.7%
Expected rate of return on plan assets: Mainly		2.5%	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)
	2012	2011	2012
Outstanding balance at fiscal year-end:			
Short-term bank loans [a]	¥139,690	¥108,330	$1,724,567
Weighted-average interest rate at year-end:			
Short-term bank loans	0.4%	0.6%	0.4%

(a) The total amounts of short-term loans with collateral as of February 29, 2012 and February 28, 2011 are ¥3,400 million ($41,975 thousand) and ¥3,400 million, respectively (Note 17).

Long-term debt at February 29, 2012 and February 28, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2011 to 2024 with interest rates ranging from 0.6% to 7.0% [b]	¥ 286,953	¥ 304,412	$ 3,542,629
Lease obligations	31,569	28,268	389,740
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	39,998	39,998	493,802
1.68% unsecured straight bonds, due June 19, 2015	29,994	29,992	370,296
1.94% unsecured straight bonds, due June 20, 2018	29,984	29,982	370,172
0.541% unsecured straight bonds, due June 19, 2015	30,000	30,000	370,370
0.852% unsecured straight bonds, due June 20, 2017	20,000	20,000	246,913
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	740,740
Akachan Honpo Co., Ltd.:			
1.32% unsecured straight bonds, due March 25, 2011	—	100	—
Seven Bank, Ltd.:			
1.45% unsecured straight bonds, due December 20, 2011	—	36,000	—
1.67% unsecured straight bonds, due December 20, 2013	24,000	24,000	296,296
0.74% unsecured straight bonds, due June 20, 2012	10,000	10,000	123,456
1.04% unsecured straight bonds, due June 20, 2014	20,000	20,000	246,913
7-Eleven, Inc.:			
Commercial paper	21,455	14,569	264,876
	603,957	647,323	7,456,259
Current portion of long-term debt	(128,145)	(175,212)	(1,582,037)
	¥ 475,811	¥ 472,111	$ 5,874,209

(b) The total amounts of long-term debt with collateral as of February 29, 2012 and February 28, 2011 were ¥62,911 million ($776,679 thousand) and ¥154,157 million, respectively (Note 17).

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)
2013	¥128,145	$1,582,037
2014	107,364	1,325,481
2015	105,211	1,298,901
2016	116,716	1,440,938
2017	21,142	261,012
Thereafter	125,376	1,547,851
	¥603,957	$7,456,259

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 29, 2012 and February 28, 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Furniture, fixtures and equipment:			
Acquisition cost	¥ 66,341	¥ 84,297	$ 819,024
Accumulated depreciation	(55,917)	(59,730)	(690,333)
Accumulated impairment loss	(65)	(154)	(802)
Net book value	¥ 10,358	¥ 24,411	$ 127,876
Software:			
Acquisition cost	¥ 164	¥ 424	$ 2,024
Accumulated depreciation	(134)	(245)	(1,654)
Net book value	¥ 30	¥ 178	$ 370
Lease payments	¥ 13,921	¥ 16,676	$ 171,864
Reversal of allowance for impairment loss on leased assets	¥ 129	¥ 177	$ 1,592
Depreciation expense [(a), (b)]	¥ 14,050	¥ 16,854	$ 173,456
Impairment loss	¥ 39	¥ 38	$ 481

(a) Depreciation expense includes 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 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Due within one year	¥ 8,832	¥14,129	$109,037
Due after one year	1,622	10,615	20,024
Total	¥10,454	¥24,745	$129,061
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 65	¥ 154	$ 802

As lessor:

A summary of acquisition cost, accumulated depreciation, and net book value as of February 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Furniture, fixtures and equipment:			
Acquisition cost	¥10,560	¥ 16,601	$ 130,370
Accumulated depreciation	(8,248)	(11,892)	(101,827)
Net book value	¥ 2,311	¥ 4,709	$ 28,530
Lease income	¥ 1,954	¥ 3,185	$ 24,123
Depreciation expense	¥ 1,776	¥ 2,911	$ 21,925
Interest income [(c)]	¥ 118	¥ 224	$ 1,456

(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 29, 2012 and February 28, 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Due within one year	¥1,452	¥2,434	$17,925
Due after one year	1,027	2,553	12,679
Total	¥2,480	¥4,988	$30,617

(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 29, 2012 and February 28, 2011 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Due within one year	¥ 62,082	¥ 61,673	$ 766,444
Due after one year	360,904	379,850	4,455,604
Total	¥422,987	¥441,523	$5,222,061

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Due within one year	¥1,867	—	$23,049
Due after one year	6,107	—	75,395
Total	¥7,975	—	$98,456

14. ASSET RETIREMENT OBLIGATIONS

Fiscal year ended February 29, 2012:
Asset retirement obligations recorded in the Consolidated Financial Statements.

(1) Summary of asset retirement obligations

The Companies recorded asset retirement obligations mainly related to the obligation to return stores to their original condition upon termination of their lease contracts.

(2) Calculation method of the asset retirement obligations

In the calculation process of asset retirement obligations, the Companies estimate terms of use between 2 and 50 years and use a discount rate between 0.1 and 5.6%.

(3) Changes in the total amounts of applicable asset retirement obligations in the year ended February 29, 2012

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2012	
As of March 1, 2011	¥40,311	$497,666
Increase due to acquisition of property and equipment	4,230	52,222
Adjustment due to passage of time	871	10,753
Decrease due to settlement of asset retirement obligations	(565)	(6,975)
Others	337	4,160
As of February 29, 2012	¥45,186	$557,851

Note: From the fiscal year ended February 29, 2012, the Companies have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).
The balance as of March 1, 2011, above represents the asset retirement obligations at the beginning of the fiscal year ended February 29, 2012 as a result of these standards.

15. NET ASSETS

Net assets comprise four subsections, which are shareholders' equity, accumulated other comprehensive income, 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 24, 2012, the shareholders approved cash dividends amounting to ¥29,156 million ($359,950 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 29, 2012. Such appropriations are recognized in the period in which they are approved by the shareholders.

16. 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 29, 2012 and February 28, 2011 amounted to ¥357 million ($4,407 thousand) and ¥297 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

	Seventh grant	Eighth grant
Title and number of grantees	6 directors of the Company	121 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options [(a)]	25,900 common shares	128,000 common shares
Grant date	June 15, 2011	June 15, 2011
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 29, 2012 to June 15, 2031	From February 29, 2011 to June 15, 2041

(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 29, 2012. The number of stock options is translated into the number of shares.

Fiscal year ended February 29, 2012:

Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested				
As of February 28, 2011	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 28, 2011	15,900	78,300	24,000	120,100
Vested	—	—	—	—
Exercised	—	12,300	—	19,900
Forfeited	—	—	—	—
Outstanding	15,900	66,000	24,000	100,200

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested				
As of February 28, 2011	—	—	—	—
Granted	—	—	25,900	128,000
Forfeited	—	—	—	—
Vested	—	—	25,900	128,000
Outstanding	—	—	—	—
After vested				
As of February 28, 2011	21,100	113,800	—	—
Vested	—	—	25,900	128,000
Exercised	—	17,900	—	—
Forfeited	—	—	—	—
Outstanding	21,100	95,900	25,900	128,000

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥212,100 ($2,618) per subscription to share	—	¥211,100 ($2,606) per subscription to share
Fair value at the grant date (a)	¥307,000 ($3,790) per subscription to share	¥311,300 ($3,843) per subscription to share	¥204,500 ($2,524) per subscription to share	¥211,100 ($2,606) per subscription to share

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥211,200 ($2,607) per subscription to share	—	—
Fair value at the grant date (a)	¥185,000 ($2,283) per subscription to share	¥168,900 ($2,085) per subscription to share	¥188,900 ($2,332) per subscription to share	¥185,300 ($2,287) 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 Seventh grant of subscription rights to shares and Eighth grant of subscription rights to shares during the fiscal year ended February 29, 2012 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Seventh grant	Eighth grant
Expected volatility of the underlying stock price (a)	32.32%	32.32%
Remaining expected life of the option (b)	6.09 years	6.85 years
Expected dividends on the stock (c)	¥57 ($0.70) per share	¥57 ($0.70) per share
Risk-free interest rate during the expected option term (d)	0.554%	0.667%

(a) Calculated based on the actual stock prices during the five years and nine months from September 1, 2005 to June 15, 2011.
(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 number of stock options allocated to each director, plus 10 days being the exercisable period.
(c) Expected dividends are determined based on the expectable dividends on common stock for the fiscal year ended February 29, 2012.
(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)	184,000 common shares	21,000 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)	171,000 common shares	38,000 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)	423,000 common shares	51,000 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

	Fourth grant-1	Fourth grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	8 executive officers of Seven Bank, Ltd.
Number of stock options (a)	440,000 common shares	118,000 common shares
Grant date	August 8, 2011	August 8, 2011
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 9, 2011 to August 9, 2041	From August 9, 2011 to August 9, 2041

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
Seven Bank, Ltd. conducted a 1000-for-1 share split on December 1, 2011.
(b) Within 10 days from the day following the day that a subscription holder loses its position as a director of Seven Bank, Ltd.
(c) Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of Seven Bank, Ltd.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 29, 2012. The number of stock options is translated into the number of shares.

Fiscal year ended February 29, 2012:

Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested				
As of February 28, 2011	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 28, 2011	157,000	21,000	171,000	38,000
Vested	—	—	—	—
Exercised	—	7,000	—	8,000
Forfeited	—	—	—	—
Outstanding	157,000	14,000	171,000	30,000

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Before vested				
As of February 28, 2011	—	—	—	—
Granted	—	—	440,000	118,000
Forfeited	—	—	—	—
Vested	—	—	440,000	118,000
Outstanding	—	—	—	—
After vested				
As of February 28, 2011	423,000	51,000	—	—
Vested	—	—	440,000	118,000
Exercised	—	13,000	—	—
Forfeited	—	—	—	—
Outstanding	423,000	38,000	440,000	118,000

* Seven Bank, Ltd. conducted a 1000-for-1 share split on December 1, 2011.
The number of stock options is translated into the number of shares that the share split was conducted.

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥165,700 ($2,045) per subscription to share	—	¥165,700 ($2,045) per subscription to share
Fair value at the grant date (a)	¥236,480 ($2,919) per subscription to share	¥236,480 ($2,919) per subscription to share	¥221,862 ($2,739) per subscription to share	¥221,862 ($2,739) per subscription to share

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥165,700 ($2,045) per subscription to share	—	—
Fair value at the grant date (a)	¥139,824 ($1,726) per subscription to share	¥139,824 ($1,726) per subscription to share	¥127,950 ($1,579) per subscription to share	¥127,950 ($1,579) per subscription to share

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1,000 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 Fourth grant-1 of subscription rights to shares and Fourth grant-2 of subscription rights to shares during the fiscal year ended February 29, 2012 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Fourth grant-1	Fourth grant-2
Expected volatility of the underlying stock price (a)	34.59%	34.59%
Remaining expected life of the option (b)	6.18 years	6.18 years
Expected dividends on the stock (c)	¥5,200 ($64.19) per share	¥5,200 ($64.19) per share
Risk-free interest rate during the expected option term (d)	0.469%	0.469%

(a) Calculated based on the actual stock prices during the three years and five months from February 29, 2008 to August 8, 2011.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2011 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days being the exercisable period.
(c) Expected dividends are determined based on the actual dividends being the common stock for the fiscal year ended March 31, 2011.
(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.

17. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 29, 2012, the Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥397 million ($4,901 thousand). The amount of guarantee in relation to the loans of a certain store lessor is ¥38 million ($469 thousand).

As of February 28, 2011, the Companies were contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥487 million. The amount of guarantee in relation to the loans of a certain store lessor was ¥112 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 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Buildings and structures	¥ 18,135	¥ 47,970	$ 223,888
Land	47,144	100,773	582,024
Other intangible assets	—	10,151	—
Investments in securities	100,681	122,445	1,242,975
Long-term leasehold deposits	3,954	4,103	48,814
Total	¥169,915	¥285,443	$2,097,716

Debts for the pledged assets above as of February 29, 2012 are as follows: short-term loans, ¥3,400 million ($41,975 thousand); long-term loans (including current portion), ¥62,911 million ($776,679 thousand); long-term accounts payable, ¥773 million ($9,543 thousand); and long-term deposits received from tenants and franchised stores, ¥121 million ($1,493 thousand).

Debts for the pledged assets above as of February 28, 2011 were as follows: short-term loans, ¥3,400 million; long-term loans (including current portion), ¥154,157 million; long-term accounts payable, ¥884 million; and long-term deposits received from tenants and franchised stores, ¥138 million.

B. The amount of assets pledged as collateral for the debts of affiliates as of February 29, 2012 and February 28, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Buildings	¥ 487	¥ 523	$ 6,012
Land	1,368	1,368	16,888
Total	¥1,855	¥1,891	$22,901

Debts of affiliates for the pledged assets above as of February 29, 2012 and February 28, 2011 are ¥3,443 million ($42,506 thousand) and ¥3,543 million, respectively.

C. Other

As of February 29, 2012:
The amount of assets pledged as collateral for fund transfer and for real estate business are ¥6,025 million ($74,382 thousand) and ¥54 million ($666 thousand), respectively. The amount of assets pledged as collateral for installment sales are ¥1,335 million ($16,481 thousand). In addition, ¥1,132 million ($13,975 thousand) of assets is pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2011:
The amount of assets pledged as collateral for fund transfer and for real estate business were ¥27,630 million and ¥69 million, respectively. The amount of assets pledged as collateral for installment sales were ¥1,586 million. In addition, ¥1,065 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

(as of February 29, 2012)

Seven Card Service Co., Ltd. and Seven CS Card Service Co., Ltd. conduct 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	¥1,026,657	$12,674,777
Outstanding balance	(31,176)	(384,888)
Unused credit balance	¥ 995,480	$12,289,876

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. and Seven CS 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, 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
Credit availability of cash loan business	¥449,090
Outstanding balance	(16,280)
Unused credit balance	¥432,809

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.

18. SPECIAL PURPOSE CORPORATION

As of February 29, 2012:

There were no transactions with a Special Purpose Corporation ("SPC") during the fiscal year ended February 29, 2012.

As of February 28, 2011:

Summaries of 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 in the fiscal year ended February 28, 2011.

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
Dividends from liquidation	¥8,305 million
Lease payments	¥6,090 million

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.

19. 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") and 7-Eleven, Inc. ("SEI"). SEJ and SEI centralize all purchasing procedures for merchandise purchased by an individual franchised store and makes collective payments to all vendors on behalf of the franchisees.

20. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from Seven-Eleven Japan Co., Ltd.'s franchised stores and 7-Eleven, Inc.'s are included in "Other operating revenues."

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

Seven-Eleven Japan Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Franchise commission from franchised stores	¥ 479,825	¥ 435,873	$ 5,923,765
Net sales of franchised stores	3,189,317	2,839,680	39,374,283

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Franchise commission from franchised stores	¥119,251	—	$1,472,234
Net sales of franchised stores	666,930	—	8,233,703

(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)
	2012	2011	2012
Buildings and structures	¥ 895	¥ 414	$11,049
Land	1,217	742	15,024
Others	22	18	271
Total	¥2,135	¥1,174	$26,358

(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)
	2012	2011	2012
Buildings and structures	¥2,667	¥2,995	$32,925
Furniture, fixtures and equipment	563	798	6,950
Others	2,237	2,773	27,617
Total	¥5,468	¥6,566	$67,506

(5) Loss on disaster

Loss on disaster caused by the Great East Japan Earthquake is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Loss on disposal of damaged inventories	¥ 4,568	—	$ 56,395
Loss on disposal of buildings and structures and recovery expenses	13,522	—	166,938
Fixed cost incurred during the suspension of operations	4,425	—	54,629
Other expenses related to recovery expenses	3,223	—	39,790
Total	¥25,741	—	$317,790

Provison for loss on disaster amounting to ¥1,063 million ($13,123 thousand) is included above for the year ended February 29, 2012.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Advertising and decoration expenses	¥111,420	¥101,218	$1,375,555
Salaries and wages	378,066	380,694	4,667,481
Provision for allowance for bonuses to employees	14,699	13,635	181,469
Legal welfare expenses	47,504	48,301	586,469
Land and building rent	258,652	260,034	3,193,234
Depreciation and amortization	133,914	126,674	1,653,259
Utility expenses	92,704	94,214	1,144,493
Store maintenance and repair	69,824	70,371	862,024

21. RELATED PARTY TRANSACTIONS

Fiscal year ended February 29, 2012:

There were no related party transactions during the fiscal year ended February 29, 2012.

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	—	—

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, a director 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	—	—

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.

22. SEGMENT INFORMATION

(1) Overview of reportable segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units. Its segments are subject to periodical review for the purpose of making decisions on allocation of managerial resources and evaluating business performance by the Board of Directors.

Under the holding company structure, the Company has classified its consolidated subsidiaries into six segments, which are "Convenience store operations," "Superstore operations," "Department store operations," "Food services," "Financial services," and "Others," according to the nature of products, services, and sales operations.

"Convenience store operations" operate corporate stores and franchised stores under the name of "7-Eleven." "Superstore operations" operate superstores, supermarkets, specialty shops, and others. "Department store operations" operate department store business, which mainly consists of Sogo & Seibu Co., Ltd. "Food services" operate restaurant operations, meal provision service business (mainly for company cafeteria, hospitals, and schools), and fast food operations. "Financial services" operate bank, credit card, lease, and other businesses. "Others" operate IT business and other services.

(2) Calculation methodology for revenues from operations, income or losses, assets and liabilities, and other items for each reportable segment

The accounting treatment of each reportable segment is in line with the "Accounting Policies for the Preparation of Consolidated Financial Statements." Segment income (loss) and segment liabilities as reported in this section are based on operating income and interest-bearing debt, respectively. Intersegment revenues and transfers are calculated at prevailing market prices.

(3) Information on revenues from operations, income (loss), assets, liabilities, and other monetary items for each reportable segment

Fiscal year ended February 29, 2012 (From March 1, 2011 to February 29, 2012)

	Millions of yen								
	Reportable segments						Total	Adjustments	Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others			
Revenues from operations:									
Customers	¥1,690,384	¥1,982,099	¥898,977	¥77,029	¥ 112,354	¥ 25,499	¥4,786,344	¥ —	¥4,786,344
Intersegment	539	10,199	1,245	996	17,246	21,965	52,193	(52,193)	—
Total revenues	1,690,924	1,992,298	900,222	78,026	129,601	47,464	4,838,538	(52,193)	4,786,344
Segment income (loss)	¥ 214,637	¥ 32,432	¥ 9,948	¥ (95)	¥ 33,778	¥ 2,304	¥ 293,005	¥ (945)	¥ 292,060
Segment assets	¥1,077,608	¥1,048,661	¥541,929	¥21,026	¥1,565,291	¥153,852	¥4,408,369	¥(519,010)	¥3,889,358
Segment liabilities (interest-bearing debt)	¥ 29,252	¥ 26,219	¥200,154	¥ —	¥ 244,973	¥ 1,500	¥ 502,099	¥ 209,978	¥ 712,077
Other items									
Depreciation and amortization	¥ 73,291	¥ 28,626	¥ 14,010	¥ 667	¥ 20,331	¥ 2,588	¥ 139,514	¥ 480	¥ 139,994
Amortization of goodwill	¥ 3,620	¥ 3,372	¥ 5,253	¥ —	¥ 610	¥ 58	¥ 12,915	¥ —	¥ 12,915
Investment in associates accounted for using the equity method	¥ 7,625	¥ 1,656	¥ 467	¥ —	¥ —	¥ 7,947	¥ 17,697	¥ —	¥ 17,697
Impairment loss	¥ 4,301	¥ 7,238	¥ 2,059	¥ 428	¥ 97	¥ 334	¥ 14,460	¥ —	¥ 14,460
Net increase in property and equipment, and intangible assets	¥ 147,051	¥ 37,376	¥ 14,763	¥ 719	¥ 23,891	¥ 2,995	¥ 226,797	¥ 3,371	¥ 230,168

Fiscal year ended February 28, 2011 (From March 1, 2010 to February 28, 2011)

	Millions of yen								
	Reportable segments						Total	Adjustments	Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others			
Revenues from operations:									
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
Segment income (loss)	¥ 195,477	¥15,708	¥ 5,622	¥ (193)	¥ 28,343	¥ (690)	¥ 244,268	¥ (921)	¥ 243,346
Segment assets	¥1,112,557	¥1,081,491	¥571,463	¥21,105	¥1,350,272	¥145,792	¥4,282,682	¥(550,570)	¥3,732,111
Segment liabilities (interest-bearing debt)	¥ 16,872	¥ 28,072	¥272,303	¥ —	¥ 197,913	¥ 2,250	¥ 517,411	¥ 209,973	¥ 727,385
Other items									
Depreciation and amortization	¥ 68,743	¥ 25,890	¥ 14,361	¥ 811	¥ 20,693	¥ 1,598	¥ 132,099	¥ 321	¥ 132,421
Amortization of goodwill	¥ 7,218	¥ 3,371	¥ 5,253	¥ —	¥ 258	¥ 43	¥ 16,145	¥ —	¥ 16,145
Investment in associates accounted for using the equity method	¥ 7,214	¥ 3	¥ 426	¥ —	¥ —	¥ 6,701	¥ 14,346	¥ —	¥ 14,346
Impairment loss	¥ 5,939	¥ 4,139	¥ 10,301	¥ 378	¥ 635	¥ 59	¥ 21,454	¥ —	¥ 21,454
Net increase in property and equipment, and intangible assets	¥ 91,626	¥ 44,797	¥ 25,559	¥ 443	¥ 16,979	¥127,389	¥ 306,797	¥ 2,773	¥ 309,570

Fiscal year ended February 29, 2012 (From March 1, 2011 to February 29, 2012)

	Thousands of U.S. dollars (Note 3)								
	Reportable segments						Total	Adjustments	Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others			
Revenues from operations:									
Customers	$20,868,938	$24,470,358	$11,098,481	$950,975	$ 1,387,086	$ 314,802	$59,090,666	$ —	$59,090,666
Intersegment	6,654	125,913	15,370	12,296	212,913	271,172	644,358	(644,358)	—
Total revenues	20,875,604	24,596,271	11,113,851	963,283	1,600,012	585,975	59,735,037	(644,358)	59,090,666
Segment income (loss)	$ 2,649,839	$ 400,395	$ 122,814	$ (1,172)	$ 417,012	$ 28,444	$ 3,617,345	$ (11,666)	$ 3,605,679
Segment assets	$13,303,802	$12,946,432	$ 6,690,481	$259,580	$19,324,580	$1,899,407	$54,424,308	$(6,407,530)	$48,016,765
Segment liabilities (interest-bearing debt)	$ 361,135	$ 323,691	$ 2,471,037	$ —	$ 3,024,358	$ 18,518	$ 6,198,753	$ 2,592,320	$ 8,791,074
Other items									
Depreciation and amortization	$ 904,827	$ 353,407	$ 172,962	$ 8,234	$ 251,000	$ 31,950	$ 1,722,395	$ 5,925	$ 1,728,320
Amortization of goodwill	$ 44,691	$ 41,629	$ 64,851	$ —	$ 7,530	$ 716	$ 159,444	$ —	$ 159,444
Investment in associates accounted for using the equity method	$ 94,135	$ 20,444	$ 5,765	$ —	$ —	$ 98,111	$ 218,481	$ —	$ 218,481
Impairment loss	$ 53,098	$ 89,358	$ 25,419	$ 5,283	$ 1,197	$ 4,123	$ 178,518	$ —	$ 178,518
Net increase in property and equipment, and intangible assets	$ 1,815,444	$ 461,432	$ 182,259	$ 8,876	$ 294,950	$ 36,975	$ 2,799,962	$ 41,617	$ 2,841,580

Notes:

1. The adjustments of ¥(945) million ($(11,666) thousand) and ¥(921) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 29, 2012 and February 28, 2011, respectively.
2. The adjustments of ¥(519,010) million ($(6,407,530) thousand) and ¥(550,570) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 29, 2012 and February 28, 2011, respectively.
3. The adjustments of ¥209,978 million ($2,592,320 thousand) and ¥209,973 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 29, 2012 and February 28, 2011, respectively. The amount of each segment liability does not include intersegment transactions.
4. Segment income (loss) is reconciled with the operating income in the Consolidated Statements of Income.

(Supplementary Information)

Effective March 1, 2011, the Company applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

(Reference)

Revenues from operations and operating income by geographic area segments are as described below:

	Millions of yen					
FISCAL YEAR ENDED FEBRUARY 29, 2012	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,590,473	¥1,106,347	¥ 89,524	¥ 4,786,344	¥ —	¥4,786,344
Intersegment	444	101	—	546	(546)	—
Total revenues	3,590,917	1,106,449	89,524	4,786,890	(546)	4,786,344
Operating income	¥ 261,531	¥ 29,181	¥ 1,324	¥ 292,037	¥ 22	¥ 292,060

	Millions of yen					
FISCAL YEAR ENDED FEBRUARY 28, 2011	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
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 income	¥ 215,231	¥ 26,230	¥ 1,857	¥ 243,319	¥ 27	¥ 243,346

	Thousands of U.S. dollars (Note 3)					
FISCAL YEAR ENDED FEBRUARY 29, 2012	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$44,326,827	$13,658,604	$1,105,234	$59,090,666	$ —	$59,090,666
Intersegment	5,481	1,246	—	6,740	(6,740)	—
Total revenues	44,332,308	13,659,864	1,105,234	59,097,407	(6,740)	59,090,666
Operating income	$ 3,228,777	$ 360,259	$ 16,345	$ 3,605,395	$ 271	$ 3,605,679

Notes:

1. The classification of geographic area segments is determined according to geographical distances.
2. "Others" consist of the business results in the People's Republic of China.

(Related Information)

Fiscal year ended February 29, 2012

1. Information on products and services

Information is omitted since it is described in the segment information.

2. Information by region

(1) Revenues from operations

Millions of yen			
Japan	North America	Others	Total
¥3,590,473	¥1,106,347	¥89,524	¥4,786,344

Thousands of U.S. dollars (Note 3)			
Japan	North America	Others	Total
$44,326,827	$13,658,604	$1,105,234	$59,090,666

(2) Property and equipment

Millions of yen			
Japan	North America	Others	Total
¥1,072,898	¥245,108	¥2,167	¥1,320,174

Thousands of U.S. dollars (Note 3)			
Japan	North America	Others	Total
$13,245,654	$3,026,024	$26,753	$16,298,444

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the Consolidated Statements of Income.

4. Information regarding impairment loss on fixed assets by reportable segment

Fiscal year ended February 29, 2012

Information is omitted since it is described in the segment information.

5. Information on amortization and outstanding balance of goodwill by reportable segment

Fiscal year ended February 29, 2012

	Millions of yen								
	Reportable segments						Total	Eliminations / Corporate	Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others			
Goodwill									
Amortization	¥ 3,620	¥ 3,372	¥ 5,253	¥ —	¥ 610	¥ 58	¥ 12,915	¥ —	¥ 12,915
Balance at the end of current year	48,844	48,892	74,974	—	10,976	931	184,619	—	184,619
Negative goodwill									
Amortization	—	23	3	4	—	13	44	—	44
Balance at the end of current year	—	257	—	46	—	10	313	—	313

	Thousands of U.S. dollars (Note 3)								
	Reportable segments						Total	Eliminations / Corporate	Consolidated total
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others			
Goodwill									
Amortization	$ 44,691	$ 41,629	$ 64,851	$ —	$ 7,530	$ 716	$ 159,444	$ —	$ 159,444
Balance at the end of current year	603,012	603,604	925,604	—	135,506	11,493	2,279,246	—	2,279,246
Negative goodwill									
Amortization	—	283	37	49	—	160	543	—	543
Balance at the end of current year	—	3,172	—	567	—	123	3,864	—	3,864

6. Information regarding gain on negative goodwill by reportable segment

Fiscal year ended February 29, 2012

None

23. SUBSEQUENT EVENTS

Subsequent to February 29, 2012, the Company's Board of Directors declared a year-end cash dividend of ¥29,156 million ($359,950 thousand) to be payable on May 25, 2012 to shareholders on record on February 29, 2012. The dividend declared was approved by the shareholders at the meeting held on May 24, 2012.

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as of February 29, 2012 and February 28, 2011, and the related consolidated statements of income, comprehensive 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 financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as of February 29, 2012 and February 28, 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
(1) As discussed in Note 2 (17) to the consolidated financial statements, the Company adopted the new accounting standard for the "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations" as of March 1, 2011.
(2) As discussed in Note 2 (16) to the consolidated financial statements, effective from the year ended February 29, 2012, 7-Eleven, Inc. changed presentation and recognized franchise commission from franchised stores as other operating revenues, to conform the presentation adopted by other convenience store operations.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2012 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 28, 2012