# The Next Step
# toward Comprehensive Value

ANNUAL REPORT 2012

Seven & i Holdings Co., Ltd.

## Group Corporate Creed

We aim to be a sincere company that our **customers** trust.

We aim to be a sincere company that our **business partners**, **shareholders**, and **local communities** trust.

We aim to be a sincere company that our **employees** trust.

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## Communication Tools

Seven & i Holdings offers a range of communication tools on its website.

- Corporate Profile
- Corporate Outline
- CSR Report
- Financial Results
- Brief Summary
- Presentation Materials
- Convocation Notice

For the latest investor relations information, please refer to the following website:
www.7andi.com/en

Forward-looking Statements
This annual report contains certain statements based on Seven & i Holdings' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

The Seven & i Group has created a new corporate brand message, and as we move forward, this message will guide our efforts to focus the Group's comprehensive strengths and to leverage Group synergy effects.

## Brand Message

# It's a New Day

Our stores can meet your needs. When you visit one of our stores, you're sure to find something that makes you a little happier. In fact, we think that's the real meaning of a "store."

Our stores have the things you want. They have delicious foods. They have goods that you cannot find at other stores. They have products that are brought to you with care, and items that will surprise you.

They have employees who are kind and warmhearted. Who offer you a warm welcome.

Our stores are always clean, and they have efficient systems that enable you to quickly and accurately handle your daily affairs.

Rather than huge things that change our lives, isn't it the things that make us a little happier that, in the end, make our day-to-day lifestyles more comfortable?

But that isn't easy to do. It's not even possible without the wholehearted effort of the people who work in the stores.

Focusing on people. What do people want now? And what do they want to be? That is what we concentrate on, listen to, and strive to understand. We know that is the only way to meet the needs of our customers.

From convenience stores, superstores, and department stores to specialty stores, restaurants, Internet shopping, banking, and a range of public services, we are committed to being a Group that always asks, "what do customers want?"

The answer, of course, lies with the customers themselves. That is our vision for the Seven & i Group. It's a vision that we will always remember.

## To Our Shareholders and Investors

**I am pleased to report that in the fiscal year ended February 29, 2012, Seven & i Holdings generated a record-high level of consolidated operating income—¥292.0 billion.**

**I believe that this achievement is a result of the consistent implementation of a key management principle since the Group's establishment—"Responding to Change while Strengthening Fundamentals." This principle has been the basis for our solid progress.**

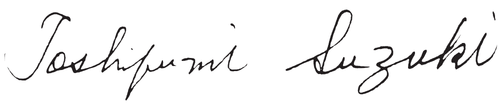
The Seven & i Group has grown into one of the largest retailers in the world, with total Group sales of over ¥8 trillion, and we still have opportunities to grow in the years ahead. In comparison with the market shares of large-scale retailers around the world, the Group's domestic market share is still relatively low—approximately 6%.

In the fiscal year ended February 29, 2012, Seven-Eleven Japan set new records not only in profits but also in number of stores opened. This performance was attributable to our emphasis on store-by-store profitability, our focus on the fundamentals, and our aggressive approach to taking on new challenges. In the years ahead, we will work to steadily expand our operational foundation in Japan and overseas.

Economic trends and trends in consumption patterns are changing dramatically on a global level. In this environment, the Group will approach change as an opportunity for growth, and we will continue to take on the challenge of creating new markets.

I would like to ask for the continued support of our shareholders and investors in the years ahead.

June 2012



Toshifumi Suzuki
Chairman and Chief Executive Officer

Guided by the corporate brand message—**It's a New Day**—the Group will concentrate its strengths and take on new challenges.

The Strengths of the Seven & i Group

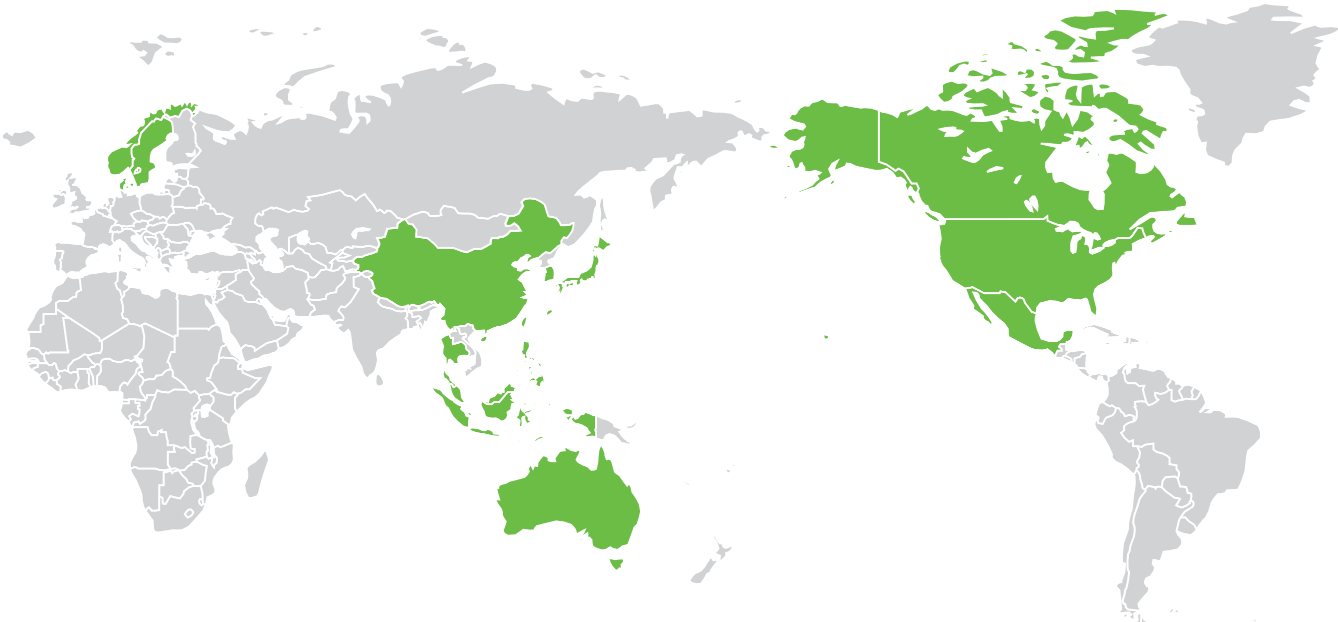
# CREATIVE MERCHANDISING
using the Group's comprehensive strengths

Sales capabilities:
## ¥8 TRILLION
in total Group sales*

*Including the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees

# SOLID BUSINESS FOUNDATION
in Asia and North America

Status of Global Expansion



**CUSTOMER STORE VISITS PER DAY**
(approximate numbers)

GLOBAL
**48 million**

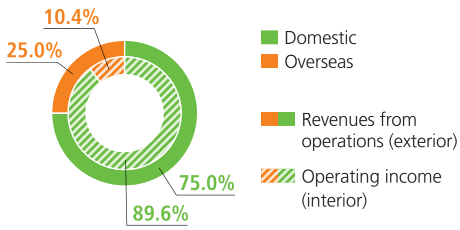
JAPAN
**17 million**

**TOTAL NUMBER OF STORES**
(approximate numbers)

GLOBAL
**46,600**

JAPAN
**15,600**

**BREAKDOWN BY GEOGRAPHIC AREA**



# Group History

The companies in the Seven & i Group have always worked to provide products and services from the customer's viewpoint while responding appropriately to changes in society. The Seven & i Group's predecessor—the Ito-Yokado Group—developed a range of retail- and service-related businesses. These included Ito-Yokado, which operated superstores; Seven-Eleven Japan, which established an original franchise business; and Denny's Japan, which offered high-quality service in its restaurants.

1950

1958
**Ito-Yokado**
Yokado Co., Ltd. (currently, Ito-Yokado Co., Ltd.) was incorporated.

1973
Ito-Yokado was moved to the first section of the Tokyo Stock Exchange (TSE).

1970

1973
**Seven-Eleven Japan**
York-Seven Co., Ltd. (currently, Seven-Eleven Japan Co., Ltd.) was established.

1981
Seven-Eleven Japan was listed on the first section of the TSE.

1973
**York-Benimaru**
Ito-Yokado concluded a business tie-up with York-Benimaru Co., Ltd.

1984
York-Benimaru was listed on the first section of the TSE.

1973
**Denny's Japan**
Denny's Japan Co., Ltd. was established.

1986
Denny's Japan was listed on the first section of the TSE.

September 2005

## Seven & i Holdings Co., Ltd. was Seven-Eleven Japan, Ito-Yokado, and

**2005**
7-Eleven, Inc. was made a wholly owned subsidiary.

**2006**
Seven and Y Corp. (currently, Seven Net Shopping Co., Ltd.) was made a subsidiary.

Millennium Retailing Co., Ltd. was made a wholly owned subsidiary.

York-Benimaru was made a wholly owned subsidiary.

**2007**
Seven & i Food Systems Co., Ltd. was established and merged with Denny's Japan, Famil, and York Bussan.

THE LOFT CO., LTD. was made a subsidiary.

Akachan Honpo Co., Ltd. was made a subsidiary.

**2008**
SEVEN-ELEVEN CHINA Co., Ltd. was established.

Seven & i Netmedia Co., Ltd. was established.

Seven & i Holdings made a business and capital tie-up with AIN PHARMACIEZ INC.


**Development of *Seven Premium* private-brand products**

**2006**
Launched The Group Merchandising Reform Project.

**2007**
Started sales of *Seven Premium* with processed food category.

Started sales of household goods category.

**2008**
Started sales of processed fresh foods category.

In September 2005, Seven & i Holdings Co., Ltd. was established as a holding company. The new Seven & i Group built a system that could respond rapidly to changes in society and maximize the corporate value of the Group as a whole.

The Seven & i Group strives to be a company that creates new value everyday by leveraging its Group capabilities and approach to innovation on a global basis.

**1990**

**1991**
**7-Eleven, Inc.**
Seven-Eleven Japan and Ito-Yokado concluded capital participation in The Southland Corporation.

**1999**
The Southland Corporation changed its name to 7-Eleven, Inc.

**1996**
**Chengdu Ito-Yokado**
Chengdu Ito-Yokado Co., Ltd. was established.

**1997**
**Hua Tang Yokado**
Hua Tang Yokado Commercial Co., Ltd. was established.

**2000**

**2001**
**IYBank**
IYBank Co., Ltd. was established.

**2005**
IYBank changed its name to Seven Bank, Ltd.

**2004**
**SEVEN-ELEVEN (BEIJING)**
SEVEN-ELEVEN (BEIJING) CO., LTD. was established.

**2001**
**IY Card Service**
IY Card Service Co., Ltd. was established.

**2007**
*nanaco* electronic money service was started.

**2010**
IY Card Service changed its name to Seven Card Service Co., Ltd.

## established through consolidation of three companies: Denny's Japan.

**2009**
Seven Culture Network Co., Ltd. was established.

Seven Health Care Co., Ltd. was established by a joint venture with AIN PHARMACIEZ.

Millennium Retailing, Sogo, and The Seibu Department Stores were merged, and Sogo, as the surviving company, changed its name to Sogo & Seibu Co., Ltd.

Seven & i Holdings made a business and capital tie-up with PIA CORPORATION.

**2010**
Seven & i Holdings began a capital participation in Tower Records Japan, Inc.

Seven & i Asset Management Co., Ltd. was established.

Signed Basic Agreement Concerning Comprehensive Business Alliance with Credit Saison Co., Ltd.

SEVEN-ELEVEN (CHENGDU) Co., Ltd. was established.

**2011**
SEVEN & i FINANCIAL GROUP CO., LTD., SE CAPITAL CORPORATION, and Seven Cash Works Co., Ltd. were merged, and SE CAPITAL, as the surviving company, changed its name to Seven Financial Service Co., Ltd.

Seven CS Card Service Co., Ltd. was made a subsidiary.

Seven Bank was listed on the first section of the TSE.

Seven & i Holdings made a capital and business alliance with Kinsho Store Co., Ltd.

**2009**
Started sales of wine simultaneously in Japan and North America as the Group's first private-brand product for the global market.

**2010**
Started sales of *Seven Gold.*

**2011**
Launched a new branding strategy.

# Group Business Overview

## Seven & i Holdings strives to create new value.

## Convenience Store Operations

More information on pp.14, 18, 20–31, 92, 96

SALES VOLUME

**¥5 trillion**

NUMBER OF STORES

**45,000**

Convenience store operations are composed of 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

Note: Sales volume includes those of Seven-Eleven Japan and 7-Eleven, Inc. franchisees.

**Principal Subsidiaries**

- Seven-Eleven Japan
- 7-Eleven, Inc.
- SEVEN-ELEVEN CHINA
- SEVEN-ELEVEN (BEIJING)
- SEVEN-ELEVEN (CHENGDU)
- SEVEN-ELEVEN (HAWAII)

### Seven-Eleven Japan

NUMBER OF STORES IN JAPAN

**14,005**

(as of February 29, 2012)

Seven-Eleven Japan operates convenience stores in Japan.

### 7-Eleven, Inc.

NUMBER OF STORES IN NORTH AMERICA

**7,149**

(as of December 31, 2011)

7-Eleven, Inc. develops the 7-Eleven convenience store network in North America and grants area licenses to overseas operators of 7-Eleven stores.

## Superstore Operations

More information on pp.14, 18, 32–35 92, 96

REVENUES FROM OPERATIONS

**¥2 trillion**

NUMBER OF STORES

**600**

Superstore operations are composed of superstores that provide apparel, household goods, and food in Japan and China—Beijing and Chengdu. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

**Principal Subsidiaries**

- Ito-Yokado
- York-Benimaru
- York Mart
- Akachan Honpo
- Hua Tang Yokado Commercial
- Chengdu Ito-Yokado
- Beijing Wang fu jing Yokado Commercial

### Ito-Yokado

Ito-Yokado operates approx. 170 superstores.

### York-Benimaru

York-Benimaru operates approx. 180 food supermarkets mainly in the Tohoku area.

### York Mart

York Mart operates food supermarkets in the Tokyo metropolitan area.

### Akachan Honpo

Akachan Honpo operates specialty stores selling baby and maternity goods.

### Chengdu Ito-Yokado

Chengdu Ito-Yokado operates five superstores in Chengdu, Sichuan Province, China.

## Department Store Operations

More information on pp.14, 36–38, 93, 96

Department store operations are composed of department stores, high-end food supermarkets, and miscellaneous goods specialty stores. Department store operations are developed under two brands, Sogo and SEIBU.

**Principal Subsidiaries**
- Sogo & Seibu
- THE LOFT
- SHELL GARDEN

### THE LOFT

THE LOFT operates miscellaneous goods specialty stores mainly in Sogo & Seibu stores.

### SHELL GARDEN

SHELL GARDEN operates high-end food supermarkets mainly in the Tokyo metropolitan area.

### ANNUAL SALES OF SOGO & SEIBU'S MAJOR STORES

**SEIBU Ikebukuro flagship store**


**¥176.4 billion**

One of the highest levels of sales in Japan

**Sogo Yokohama**

**¥100.9 billion**

**Sogo Chiba**

**¥78.6 billion**

## Food Services

More information on pp.15, 39, 93, 96

Food services are composed of the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan. We also operate restaurants in Beijing, China.

**Principal Subsidiaries**
- Seven & i Food Systems
- Seven & i Restaurant (Beijing)

### Restaurant Division


Restaurant division is developed under the Denny's and Famil brands.

### Meal Provision Service Division


Meal provision service division operates employee cafeterias, both inside and outside the Group.

### Fast Food Division

Fast food division operates fast food shops, mainly in Group stores.

## Financial Services

More information on pp.15, 40, 93, 96

Financial services are composed of ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

**Principal Subsidiaries**
- Seven Bank
- Seven Card Service
- Seven CS Card Service

## Others

More information on pp.15, 19, 41, 96

Others are composed of Internet-related services, meal delivery services, publishing, property management businesses, and community school businesses in Japan.

**Principal Subsidiaries**
- Seven & i Netmedia
- Seven Net Shopping
- 7dream.com
- Seven-Meal Service

# Interview with the President

**In the fiscal year ended February 29, 2012, Seven & i Holdings achieved record-high consolidated operating income of ¥292.0 billion. How will the Group link its success in the year under review to continued growth in the years ahead? In this section, Seven & i Holdings' President Noritoshi Murata discusses the Group's operating environment and its policies for the future.**

### Q1 What were the major factors behind the record-high level of operating income?

**A1 I believe that our performance was the result of our rigorous efforts to develop new markets and provide value to customers.**

Of course, the operating environment in 2011 was dramatically affected by the devastating March 11 earthquake. Since the earthquake, there have been changes in the purchasing behavior of customers. On the one hand, we are seeing a trend toward practical choices in purchasing behavior, with an emphasis on meeting specific needs by limiting the scope, timing, and quantity of purchases. On the other hand, there is a trend toward consumption of physical products and intangibles that reflect an individual customer's values and interests.

In the fiscal year ended February 29, 2012, a number of key factors enabled us to achieve record-high profit. One was that we rapidly restored operations following the earthquake, and, through Groupwide efforts, we provided a stable supply of products. Also, when purchasing behavior subsequently changed, we were able to create new markets meeting customer needs, centered on convenience stores.

### Q2 Operating income increased in all business segments. What is your evaluation of the results in each segment and the challenges going forward?

**A2 Conditions are favorable in convenience store operations and financial services. In superstore operations and department store operations, where conditions remain difficult, it is clear that we must increase profits and the direction that our rebuilding efforts should take is also clear.**

Operating income increased in all business segments, but convenience stores made the largest contribution. In particular, it is notable that companywide initiatives led to the achievement of record-high operating income. These initiatives include strengthened product development and expanded product lineups to realize the concept of "close by convenient stores" at Seven-Eleven Japan.

On the other hand, in superstore operations and department store operations, profits increased, but profitability nonetheless remains a challenge.

In Ito-Yokado, the increase in profits in the fiscal year ended February 29, 2012, was due primarily to our reevaluation of pricing and sales promotion policies. Moving forward, we will further extend these results, actively strengthen retailer-managed merchandising activities, and aggressively reform sales areas with the use of specialty stores from inside and outside the Group. In this way, we will work to further improve profitability.

In department store operations, we are pleased with the results of the remodeling of the SEIBU Ikebukuro flagship store. In the future, we will take steps to extend the success at

SEIBU Ikebukuro to other stores. In addition, we will target the establishment of retailer-managed merchandising systems and the timely procurement of best-selling products through the use of new information systems. In this way, I believe that we can further increase our profits.

**Q3 The Group has announced plans for aggressive investment in convenience store operations. Does this indicate any change in the Group's approach to providing a return to shareholders?**

**A3 We will work to achieve further growth, centered on convenience store operations, and to provide a return to shareholders in line with increases in profits.**

Moving forward, we have great hopes for convenience store operations as the main engine of the Group's growth. In particular, we think that convenience store operations have an excellent opportunity to bolster their operational foundation, and accordingly we will implement strategic investment, both in Japan and overseas. In returning profits to shareholders, we aim to maintain a target consolidated payout ratio of at least 35% and aim to improve it further in the future. By further increasing our earnings capacity, we will work to maximize the return of profits to shareholders.

**Q4 Do you have a message for the Group's shareholders and investors?**

**A4 We will strive to utilize the Group's management strengths to achieve more-concrete results in the years ahead.**

I think it a source of the Group's growth that the strategy that leverages "higher quality" to realize "expanded scale." The Group has comprehensive strengths as a retail services group with operations in a wide range of fields, and the key to our future growth is the effective utilization of these strengths.

Through the success of *Seven Premium* private-brand products, which have been a key focus for the Group, the Seven & i Group has been able to learn the importance of cooperation among Group companies. In the future, the Group will maximize Group synergies through cooperation among members of the Group and will implement business strategies to make each operating company No. 1 in its industry. In this way, we will strive to make further progress toward growth.

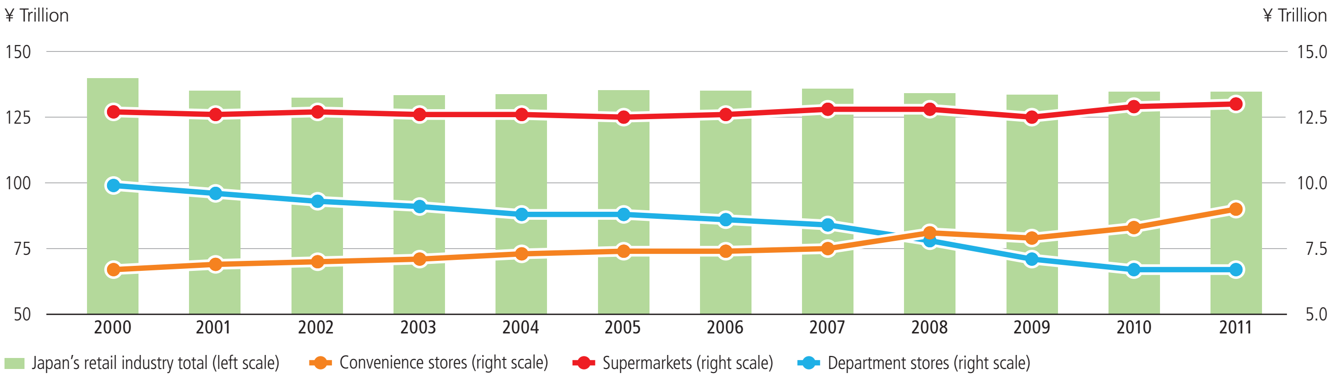
We would like to ask for the continued support of our shareholders and investors in the years ahead.

June 2012

Noritoshi Murata
President and Chief Operating Officer

# Japan's Retail Industry Market Environment

Sales trends of retail industry in Japan




Source: Current Survey of Commerce (Ministry of Economy, Trade and Industry)

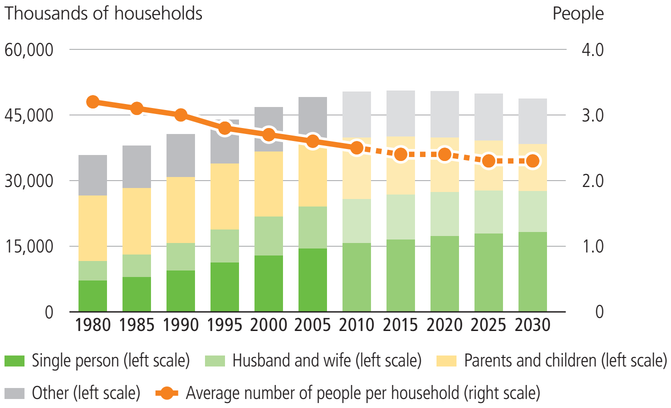
## Changes in Japan's Consumer Market

Increase in customers who consider shopping to be inconvenient

### Decline in number of people per household

**Average number of people per household expected to decline from 3.2 in 1980 to 2.3 in 2030**

Changes in number of households

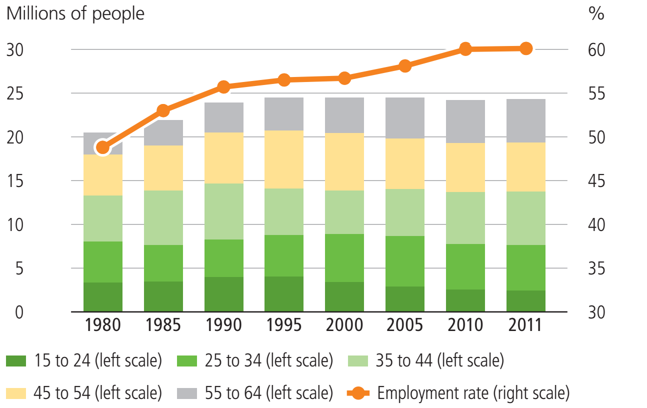



Source: National Institute of Population and Social Security Research

### Increase in number of working women

**Number of women working outside the home increased from 51.5% in 1980 to 60.1% in 2011**

Number of female workers and their employment rate

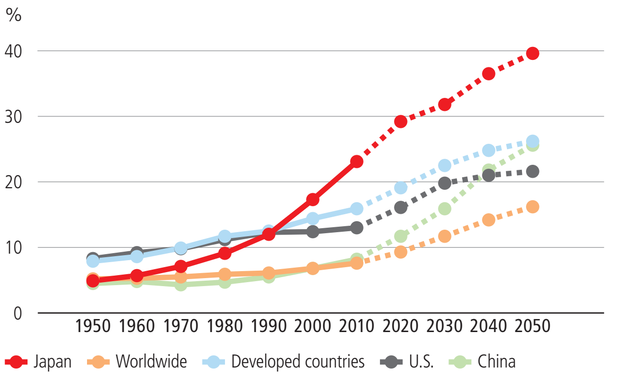



Source: Labour Force Survey (Ministry of Internal Affairs and Communications)

### Declining birthrate and aging population

**People 65 and older to account for 29.1% of population in 2020**

Changes in population of those aged over 65

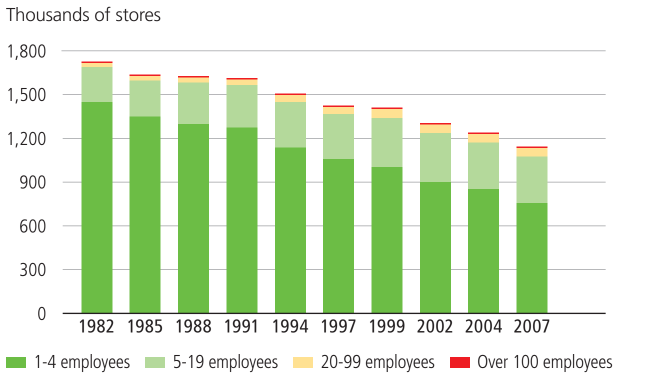



Source: Statistical Handbook of the World (Ministry of Internal Affairs and Communications)

### Decline in number of retail stores

**1982: 1.72 million → 2007: 1.13 million**

Trend in number of stores by stratum of number of employees



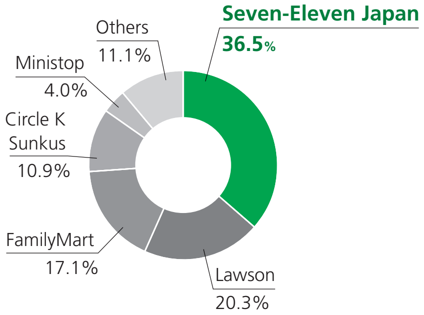

Source: The Census of Commerce (Ministry of Economy, Trade and Industry)

# Market Presence

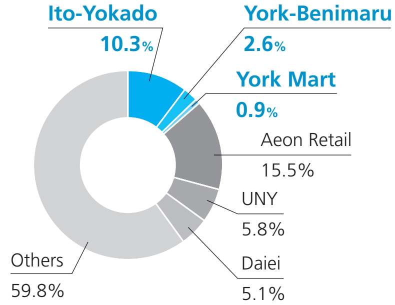
## Domestic Market

Market shares of the Group's core operating companies in Japan

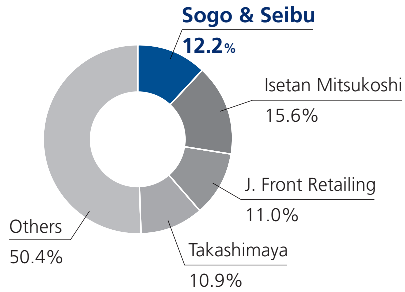
### Seven-Eleven Japan No. 1




### Ito-Yokado No. 2




### Sogo & Seibu No. 2

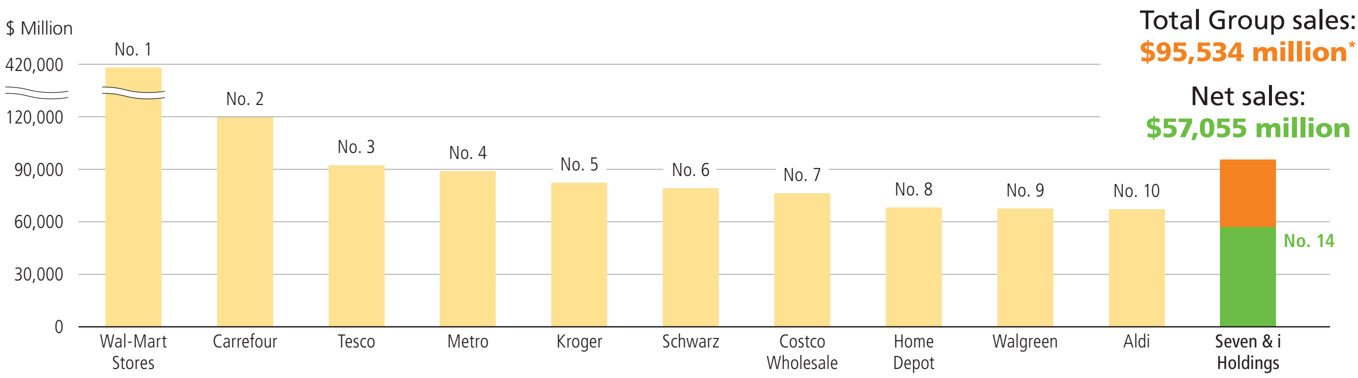



Notes: 1. Total store sales of Lawson and Circle K Sunkus represent the simplified sum of their subsidiaries of domestic convenience store operations.
2. Net sales of Isetan Mitsukoshi, J. Front Retailing, and Takashimaya represent the simplified sum of their subsidiaries of domestic department stores.

Sources: 1. Current Survey of Commerce (Ministry of Economy, Trade and Industry)
2. Public information from each company

## Global Market

Sales ranking by retailers worldwide in Fiscal 2011




Note: Exchange rate: US$1=¥79

*Total Group sales includes the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees

Source: STORES Magazine, January 2012

### Ranking by market capitalization of retailers worldwide

| | Company | Market capitalization ($ million) | ROE (%) | EPS ($) | PER (Times) | PBR (Times) |
|---|---|---|---|---|---|---|
| 1 | Wal-Mart Stores | 200,742 | 22.5 | 4.52 | 13.1 | 2.8 |
| 2 | Amazon.com | 102,196 | 8.6 | 1.37 | 165.6 | 13.3 |
| 3 | Home Depot | 79,218 | 21.8 | 2.47 | 21.0 | 4.5 |
| 4 | CVS Caremark | 58,639 | 9.1 | 2.57 | 17.5 | 1.5 |
| 5 | Inditex | 56,485 | 28.0 | 4.11 | 22.1 | 5.7 |
| 6 | Wal-Mart De Mexico | 51,870 | 17.7 | 0.10 | 30.4 | 5.1 |
| 7 | Hennes & Mauritz | 50,166 | 6.2 | 1.42 | 24.1 | 8.7 |
| 8 | Tesco | 41,594 | 16.4 | 0.57 | 9.1 | 1.4 |
| 9 | Target | 38,946 | 18.7 | 4.28 | 13.6 | 2.5 |
| 10 | Costco Wholesale | 38,489 | 12.8 | 3.30 | 26.9 | 3.2 |
| 16 | Seven & i Holdings | 26,695 | 7.5 | 1.83 | 16.5 | 1.2 |

Note: Exchange rate: US$1=¥80.46 (as of April 27, 2012)

Source: Thomson Reuters

# Financial Highlights

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

## FISCAL 2012 KEY POINTS

- Revenues from operations were down 6.5% YoY due to a change by 7-Eleven, Inc. in the method of accounting for revenues from operations. This change had the effect of reducing revenues from operations by ¥521.1 billion.
- Special losses included loss on disaster due to the Great East Japan Earthquake. However, profits increased substantially through the operating income level, and the amount recorded for deferred tax assets rose due to the application of the consolidated tax payment system from the next fiscal year, leading to a decline in total income taxes. Consequently, net income was up 16.0% year on year.

| | MILLIONS OF YEN | | | | | |
|---|---|---|---|---|---|---|
| | 2012 (Note B) | 2011 | 2010 | 2009 | 2008 | 2007 |
| **For the fiscal year:** | | | | | | |
| Revenues from operations | ¥4,786,344 | ¥5,119,739 | ¥5,111,297 | ¥5,649,948 | ¥5,752,392 | ¥5,337,806 |
| Operating income | 292,060 | 243,346 | 226,666 | 281,865 | 281,088 | 286,838 |
| Income before income taxes and minority interests | 230,817 | 223,291 | 143,104 | 215,115 | 227,441 | 243,060 |
| Net income | 129,837 | 111,961 | 44,875 | 92,336 | 130,657 | 133,419 |
| | | | | | | |
| Capital expenditures (Note D) | 255,426 | 338,656 | 211,189 | 188,943 | 217,738 | 278,388 |
| Depreciation and amortization (Note E) | 139,994 | 132,421 | 132,232 | 140,529 | 143,642 | 132,693 |
| | | | | | | |
| Cash flows from operating activities | 462,642 | 310,527 | 322,202 | 310,007 | 465,380 | 157,209 |
| Cash flows from investing activities | (342,805) | (312,081) | (115,158) | (139,568) | (237,184) | (235,983) |
| Cash flows from financing activities | (40,561) | (56,258) | (156,708) | (169,755) | (130,136) | 37,241 |
| Free cash flows (Note F) | 119,836 | (1,553) | 207,044 | 170,438 | 228,195 | (78,774) |
| | | | | | | |
| **At fiscal year-end:** | | | | | | |
| Total assets | ¥3,889,358 | ¥3,732,111 | ¥3,673,605 | ¥3,727,060 | ¥3,886,680 | ¥3,809,192 |
| Total net assets | 1,860,954 | 1,776,512 | 1,793,940 | 1,860,672 | 2,058,038 | 1,969,149 |
| Owners' equity (Note G) | 1,765,983 | 1,702,514 | 1,721,967 | 1,785,189 | 1,985,018 | 1,906,798 |

| | YEN | | | | | |
|---|---|---|---|---|---|---|
| **Net income per share:** | | | | | | |
| Basic | ¥146.96 | ¥126.21 | ¥49.67 | ¥100.54 | ¥137.03 | ¥142.90 |
| Diluted | 146.88 | 126.15 | 49.66 | 100.54 | — | — |
| | | | | | | |
| **Cash dividends declared per share of common stock** (Note H) | ¥62.00 | ¥57.00 | ¥56.00 | ¥56.00 | ¥54.00 | ¥52.00 |
| Dividend payout ratio | 42.2% | 45.2% | 112.7% | 55.7% | 39.4% | 36.4% |
| | | | | | | |
| **Financial ratios:** | | | | | | |
| Operating income ratio (Note I) | 6.1% | 4.8% | 4.4% | 5.0% | 4.9% | 5.4% |
| Net income ratio (Note I) | 2.7% | 2.2% | 0.9% | 1.6% | 2.3% | 2.5% |
| ROE | 7.5% | 6.5% | 2.6% | 4.9% | 6.7% | 7.6% |
| ROA | 3.4% | 3.0% | 1.2% | 2.4% | 3.4% | 3.7% |
| Owners' equity ratio | 45.4% | 45.6% | 46.9% | 47.9% | 51.1% | 50.1% |

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) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 28, 2006, are consolidated only in the balance sheet.

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

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

(F) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.

(G) Owners' equity is calculated on the basis of net assets excluding minority interests and subscription rights to shares in consolidated subsidiaries.

(H) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006. Accordingly, only year-end dividends are shown.

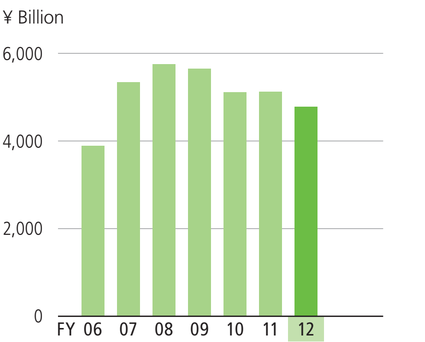
(I) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

## FISCAL 2012 KEY POINTS

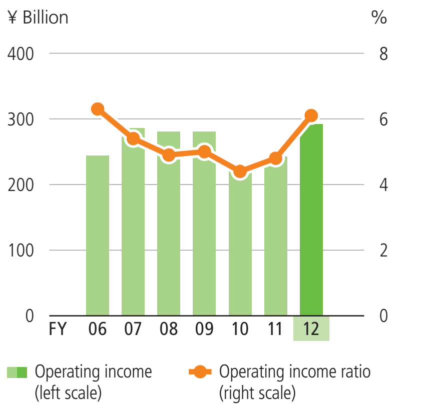
- Due to the new consolidation of Seven CS Card Service, total assets, total liabilities, and total net assets each increased.
- Net cash used in investing activities was ¥342.8 billion, due primarily to expenditures accompanying the acquisition of shares and the operations of Seven CS Card Service. However, net cash provided by operating activities was ¥462.6 billion. Consequently, free cash flows was ¥119.8 billion.

| | THOUSANDS OF U.S. DOLLARS (NOTE A) |
|---|---|
| 2006 (Note C) | 2012 (Note B) |
| | |
| ¥3,895,772 | $59,090,666 |
| 244,940 | 3,605,679 |
| | |
| 178,518 | 2,849,592 |
| 87,930 | 1,602,925 |
| | |
| 185,354 | 3,153,407 |
| 97,810 | 1,728,320 |
| | |
| 217,325 | 5,711,629 |
| (388,080) | (4,232,160) |
| 103,093 | (500,753) |
| (170,754) | (1,479,456) |
| | |
| | |
| ¥3,424,878 | $48,016,765 |
| 1,717,880 | 22,974,740 |
| 1,603,684 | 21,802,259 |
| | U.S. DOLLARS (NOTE A) |
| | |
| ¥100.83 | $1.81 |
| — | 1.81 |
| | |
| ¥28.50 | $0.76 |
| — | 42.2% |
| | |
| | |
| 6.3% | 6.1% |
| 2.3% | 2.7% |
| 5.5% | 7.5% |
| 2.6% | 3.4% |
| 46.8% | 45.4% |

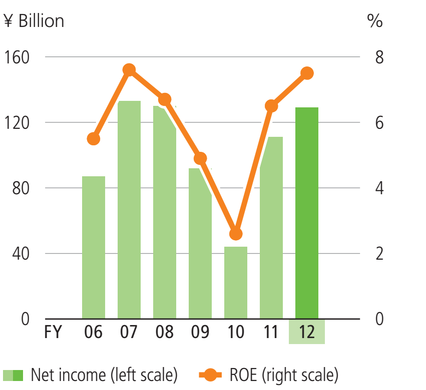
### Revenues from Operations



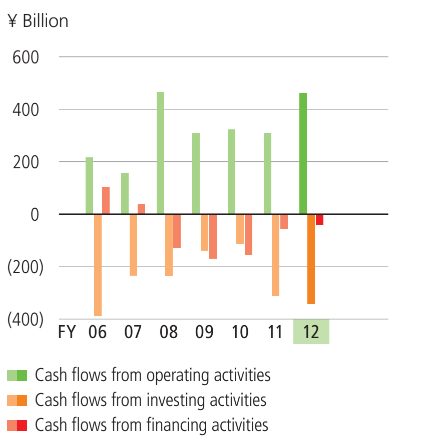

### Operating Income
### Operating Income Ratio



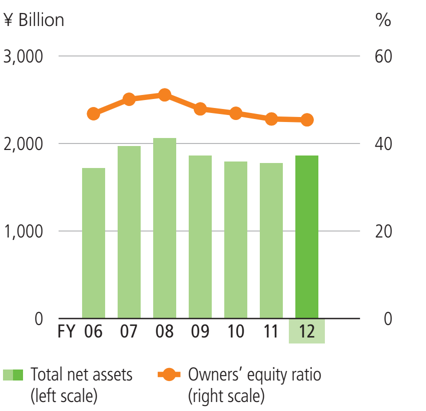

### Net Income
### ROE



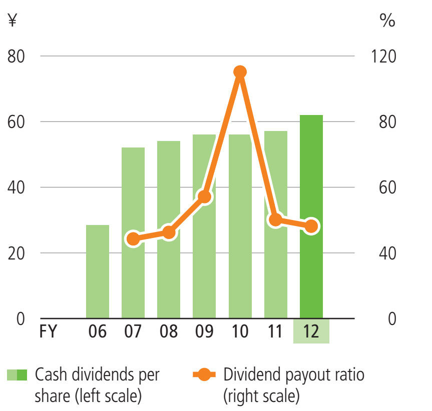

### Cash Flows




### Total Net Assets
### Owners' Equity Ratio




### Cash Dividends per Share
### Dividend Payout Ratio



# At a Glance

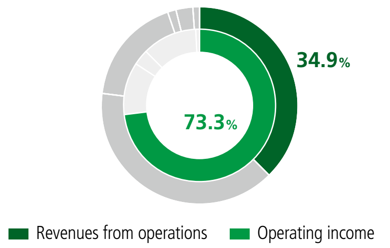
## FISCAL 2012 KEY POINTS

- Capital expenditures increased ¥58.6 billion in convenience store operations and ¥7.1 billion in financial services. On the other hand, capital expenditures declined ¥13.8 billion in superstore operations, ¥11.7 billion in department store operations, and ¥124.3 billion in other operations. As a result, capital expenditures for the fiscal year were down 24.6%, to ¥255.4 billion. Depreciation and amortization was up 5.7%, to ¥139.9 billion.

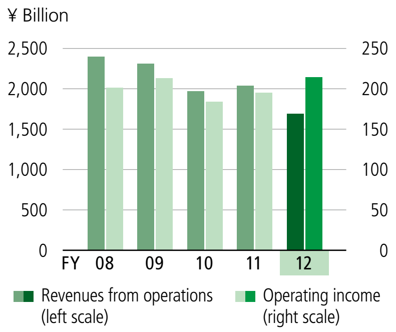
## Convenience Store Operations

### Contribution to Results

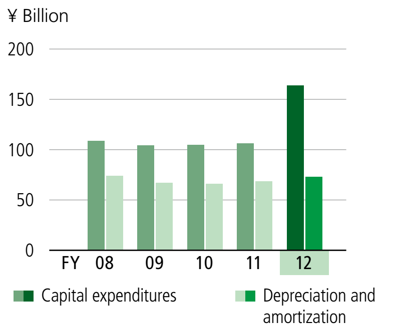
For the fiscal year ended February 29, 2012




### Revenues from Operations
### Operating Income




### Capital Expenditures
### Depreciation and Amortization



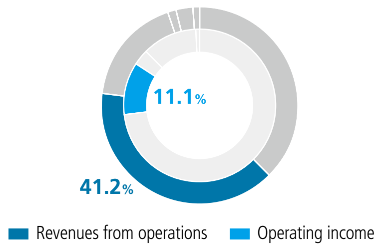

### Fiscal 2012 Achievements

- Seven-Eleven Japan (SEJ) became the first retail company in Japan to surpass ¥3 trillion in total store sales.
- SEJ opened 1,201 new stores, a record high.
- 7-Eleven, Inc. opened 643 new stores, a record high.
- SEVEN-ELEVEN (CHENGDU) began to open stores.

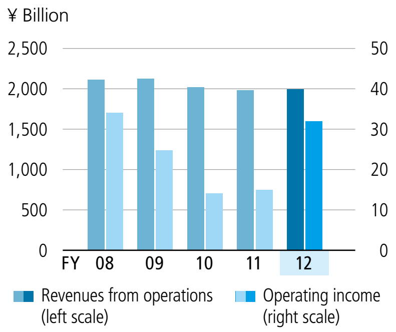
## Superstore Operations

### Contribution to Results

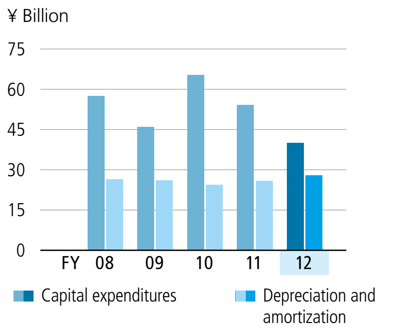
For the fiscal year ended February 29, 2012




### Revenues from Operations
### Operating Income




### Capital Expenditures
### Depreciation and Amortization



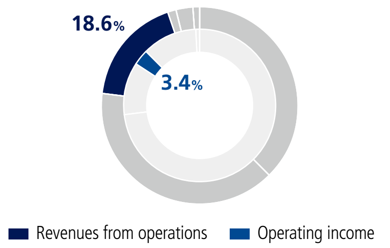

### Fiscal 2012 Achievements

- Ito-Yokado opened two *Ario* shopping centers.
- Ito-Yokado began sales of a new line of private-brand apparel products, *good day.*
- Chengdu Ito-Yokado opened its fifth store.

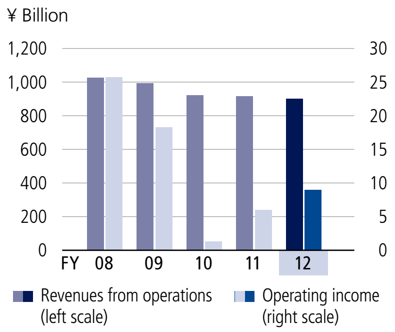
## Department Store Operations

### Contribution to Results

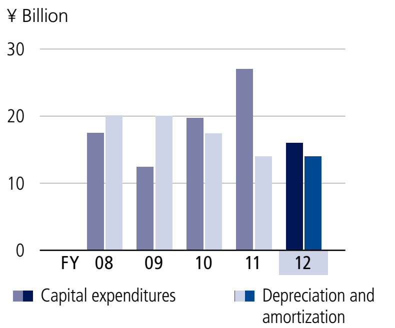
For the fiscal year ended February 29, 2012




### Revenues from Operations
### Operating Income




### Capital Expenditures
### Depreciation and Amortization




### Fiscal 2012 Achievements

- Sogo & Seibu began to open small-scale department stores located in Ito-Yokado stores.
- Sogo Hachioji was closed.

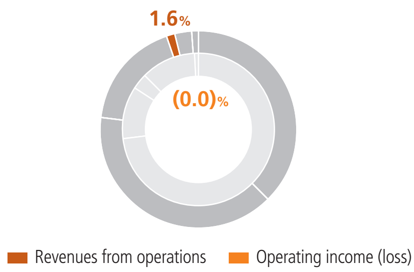
## FISCAL 2012 KEY POINTS

- The increase in capital expenditures in convenience store operations was principally the result of the aggressive opening of new stores in Japan and North America and of increased investment in existing stores due to the introduction of LED lighting and other fixtures.
- The substantial decrease in capital expenditures in other operations was attributable to the acquisition, in the previous fiscal year, of the land, the buildings, and the rights of leasehold of SEIBU Ikebukuro (¥123.0 billion) by Seven & i Asset Management Co., Ltd.

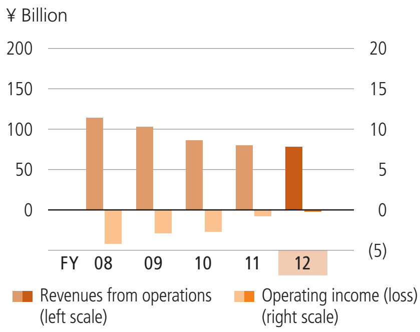
## Food Services

### Contribution to Results

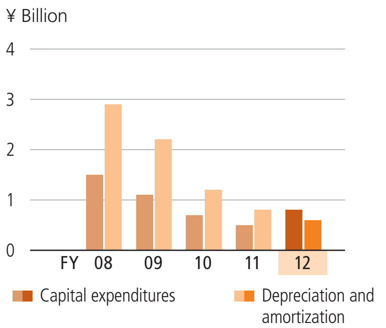
For the fiscal year ended February 29, 2012




### Revenues from Operations
### Operating Income (Loss)




### Capital Expenditures
### Depreciation and Amortization



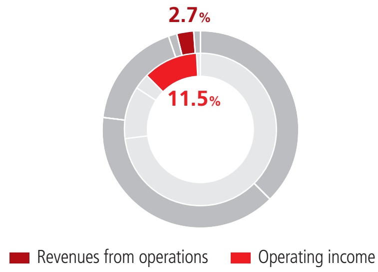

### Fiscal 2012 Achievement

- Seven & i Food Systems achieved a profit at the operating level for the first time since it was established.

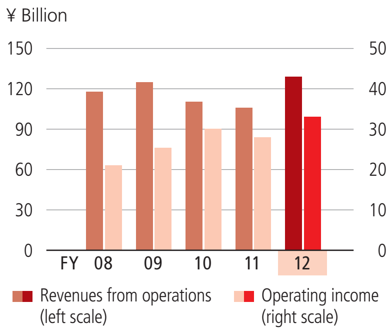
## Financial Services

### Contribution to Results

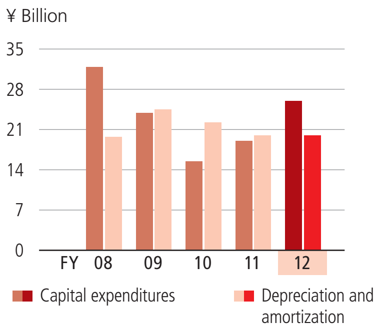
For the fiscal year ended February 29, 2012




### Revenues from Operations
### Operating Income




### Capital Expenditures
### Depreciation and Amortization



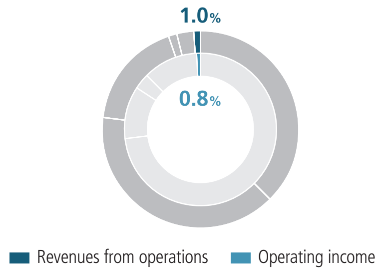

### Fiscal 2012 Achievements

- Seven CS Card Service Co., Ltd. became a subsidiary.
- The *Point Acceptance Service*, for credit cards issued by the Group, and the *nanaco Point Club* were introduced.

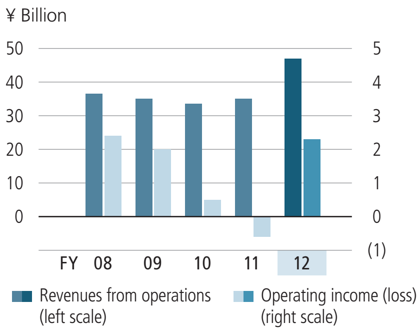
## Others

### Contribution to Results

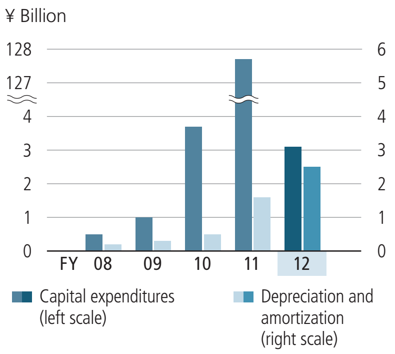
For the fiscal year ended February 29, 2012




### Revenues from Operations
### Operating Income (Loss)




### Capital Expenditures
### Depreciation and Amortization




### Fiscal 2012 Achievement

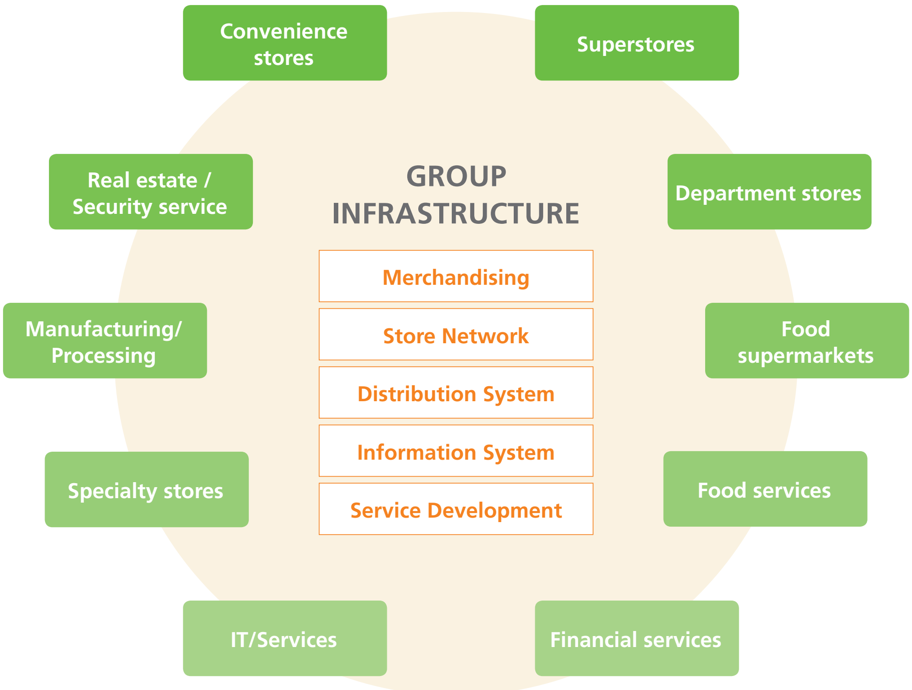
- *SevenSpot*, a free wireless communications service that can be used in Group stores, was launched.

# Creating Value by Leveraging the Group's Strengths

To meet the needs of customers, the Seven & i Group is leveraging its comprehensive strengths and its worldwide supply chain by linking its capabilities in a broad range of fields, such as product procurement, product development, logistics, and information systems.

## Three Attributes Characterizing Group Capabilities

| CUSTOMER STORE VISITS (GLOBAL) | TOTAL GROUP SALES | TOTAL NUMBER OF STORES (GLOBAL) |
|---|---|---|
| 48 million per day | ¥8 trillion* | 46,600 |




* Including the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees

# STRENGTH 1 Group Merchandising

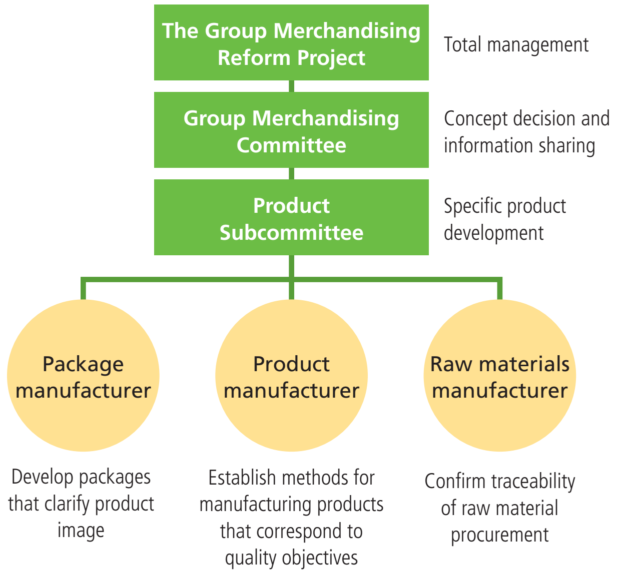
**The Group is creating private-brand products that take full advantage of the product development knowhow and infrastructure cultivated by Group companies.**

Private-brand product development is the first stage of the Group's product development strategy. The Group's activities extend to the implementation of joint product procurement, the construction of global product procurement and supply systems, and the establishment of optimized logistics systems.

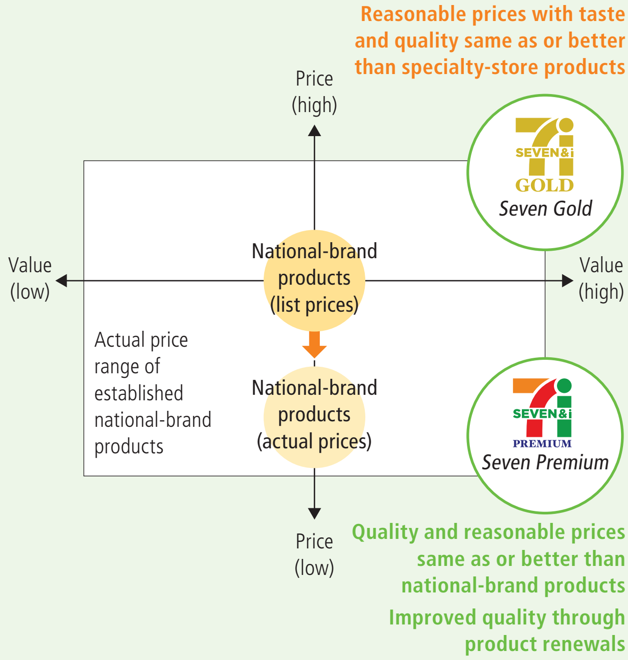
## *Seven Premium* Development Process

For *Seven Premium*, the Group is conducting team merchandising with suppliers. The Group Merchandising Reform Project, which coordinates these activities, is composed of members selected from each operating company and enhances product development with manufacturers.

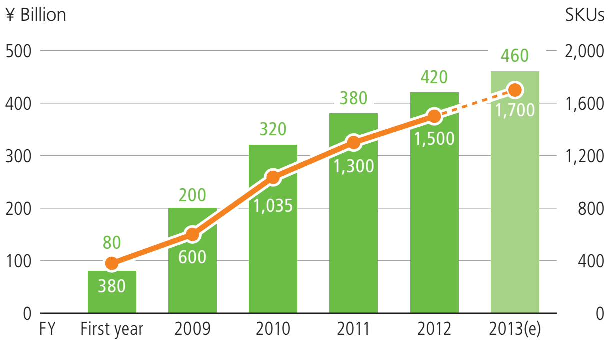
### Organizational Chart for Team Merchandising




### Positioning of private-brand products




## Performance of Private-brand Products




Sales (left scale) *Seven Premium* cumulative total of developed SKUs (right scale)

Note: First year represents the period from May 2007 to May 2008.

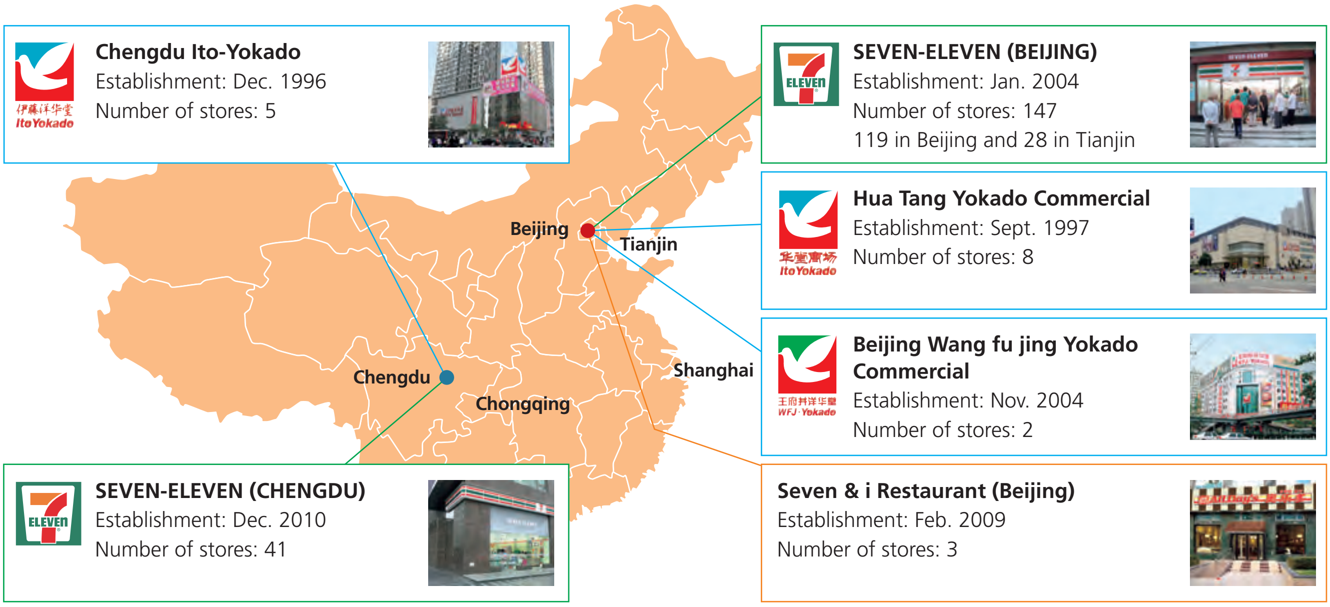
*Seven Premium* product lineup

For further information regarding Group merchandising, please refer to the Corporate Outline 2012 on pages 18 and 19.

# STRENGTH 2 China Operations

**In China, the Group has convenience stores, superstores, food supermarkets, and restaurant operations. Moving forward, the Group will leverage the management knowhow cultivated in Japan to expand its operating foundation in China, which has strong growth potential.**

## Stores Operated by Group Companies in China



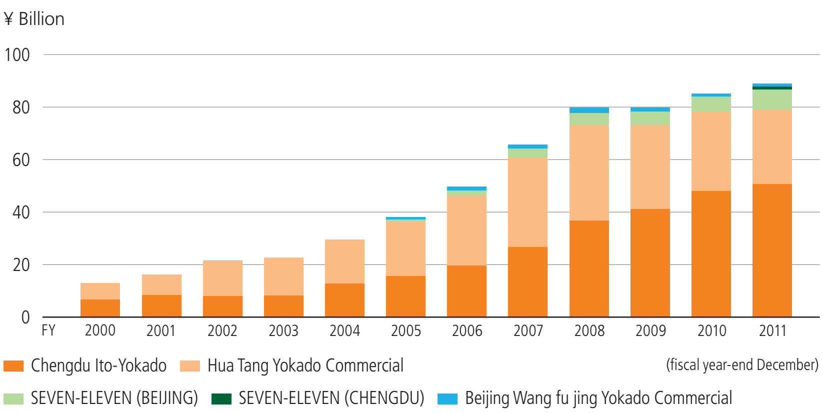

(number of stores are as of December 31, 2011)

## Sales Trend

In addition to aggressive sales activities that combine high-quality product development with special events, the Seven & i Group is also offering finely tuned customer service. In this way, the earnings capacity of each store has been increased. In comparison with the operations of other foreign companies in China, the Seven & i Group's superstores have achieved high levels of efficiency.

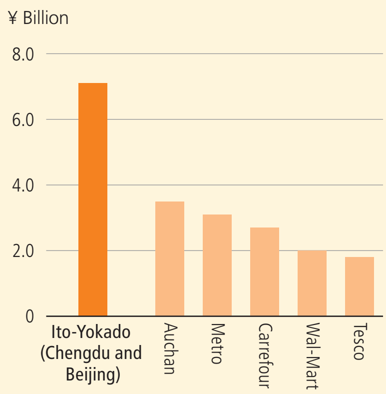
For store openings in China, the Group is following the same strategy that it uses in Japan, the market concentration strategy.

### Sales of Group Companies




Notes: 1. Sales exclude value added tax.
2. Sales for previous fiscal years are translated at the rate at the fiscal year-end.

### Annual sales per store




Notes: 1. Exchange rate: 1 yuan=¥12.32
2. Sales include value added tax.
Source: China Chain Store & Franchise Association

For further information regarding the Group's China operations, please refer to the Corporate Outline 2012 on pages 30 and 31.

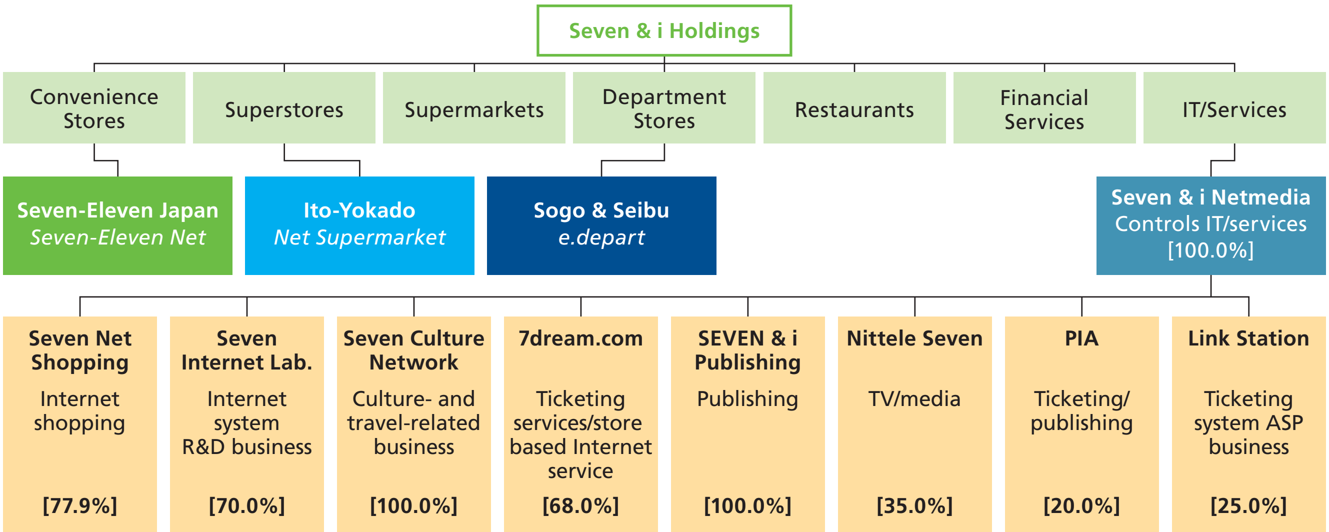
# STRENGTH 3 IT/Services

**The Seven & i Group is developing services that link the Internet and actual stores. To that end, the Group is taking full advantage of its strengths in infrastructure, which include one of Japan's largest store networks and advanced information and logistics systems.**



## Business Structure

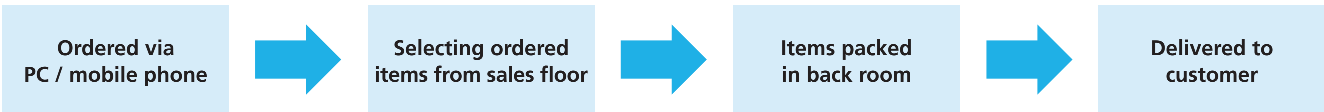
IT/Services, which are overseen by Seven & i Netmedia, cover a broad span of fields. In addition, delivery services utilizing the Internet and the Group store network are operated by Seven-Eleven Japan, Ito-Yokado, and Sogo & Seibu.




Note: [ ] indicates the percentage of equity owned by Seven & i Holdings.

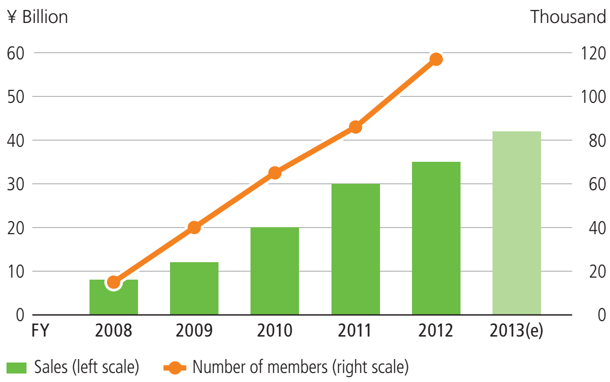
## *Net Supermarket*

Ito-Yokado stores manage *Net Supermarket*. With the *Net Supermarket* services, orders are received over the Internet, and fresh products from the stores are delivered in as little as three hours, for the same price as in the stores.




| | |
|---|---|
| Service launched | March 2001 |
| Items handled | Approx. 30,000 items<br>(foods, household goods, underwear, miscellaneous goods for kids, etc.) |
| Delivery fee | ¥315<br>(including tax, free above set value of purchases) |
| Delivery schedule | Six shipments/day (excluding some stores) |
| Sales recognition | Posted as sales of Ito-Yokado |
| Net sales | ¥35.0 billion (FY2012) |
| Number of members | 1,160 thousand (as of Feb. 29, 2012) |

*Net Supermarket*: Sales and Membership




For further information regarding the Group's IT/Services, please refer to the Corporate Outline 2012 on pages 26 and 27.

# Seven-Eleven Japan's Business Model

Since its establishment in 1973, Seven-Eleven Japan (SEJ) has always closely tracked changes in society and consumer lifestyles and has taken steps to enhance its own operations to meet emerging trends. SEJ continues to implement reforms to support continued progress. This section explains the strengths of SEJ's business model.

**SEJ CORPORATE PHILOSOPHY**

- Modernization and Revitalization of Existing Small and Medium-Sized Stores
- Co-existence and Co-prosperity

## Characteristics of Seven-Eleven Japan's Systems that support Basis of a Mutual Trust Relationship

**Gross Profit Splitting Method**
A system in which gross profit of a store is split between the franchisee and headquarters according to a pre-defined percentage.

**Open Account System**
A settlement and financing system designed to enable franchisees to start their business even with a small amount of funds and to operate stably.

**Guaranteed Minimum Gross Income System**
A system to guarantee franchisees a certain amount of franchisee's gross income.

## Overview of Gross Profit Splitting Method

Seven-Eleven Japan

Franchisee

**Gross Profit**

| Sharing of Gross Profit | Seven-Eleven Japan Charge | Franchisee's Gross Income |
|---|---|---|
| Role Assignment | • Build product development and delivery system<br>• Provide POS ordering system<br>• Provide merchandise information<br>• Provide consulting service<br>• Cover cost of electronic data processing<br>• Provide accounting service<br>• Cover promotion cost<br>• Install sales equipment<br>• Cover 80% of utility cost<br>• Cover 15% cost of disposing unsold items<br>• Provide audit service | • Manage store operations<br>Recruiting employees<br>Ordering products<br>Cleaning stores<br>Providing customer service<br>• Cover 20% of utility cost<br>• Cover 85% cost of disposing unsold items<br><br>**Franchisee's Living Expenses** |
| Accumulation of Profit | Accumulation of Equity | Accumulation of Equity |

**Reinvestment for Expansion and Production**

Notes: 1. Gross profit is equal to net sales minus net cost of goods sold, which is calculated by subtracting costs of inventory loss, disposal of merchandise, and rebates from gross cost of goods sold.
2. Franchisee's gross income is equal to income, which is the remaining balance after deducting the Seven-Eleven Japan charge from gross profit on sales.

# STRENGTH 1 Franchise System

**Under the franchise system, business operations are divided between the headquarters and franchised stores. This system promotes co-existence and co-prosperity between SEJ and franchisees.**

Aiming to "modernize and revitalize small and medium-sized retail stores," SEJ is implementing an original franchise system. SEJ and franchisees are on an equal footing, and there is a clear division of roles. The gross profit splitting method is used for the division of profit. As a result, the focus is not on increasing sales but rather on increasing gross profit, fostering co-existence and co-prosperity among all parties.

## Store Support through the Visits of OFCs

**Headquarters**

**Managers' meeting**

**FC meeting (general meeting)**

OFCs from all over the country participate to share the latest information.

**Zone meeting**

**District Office meeting**

After general meetings, subcommittee meetings are held on a regular basis.

OFCs attend meetings in their zones and districts to exchange information.

**Advice on store operations to the franchised stores**

- Thought process of order placement
- Sales methods/product display/serving customers
- In-store infrastructure development
- Information utilization methods
- Catchment area survey methods
- Financial figure analysis, etc.

**OFCs**

Visits each of his/her assigned stores twice a week or more

**Franchised store**


SEJ has about 1,950 Operations Field Consultants (OFCs) in Japan, and by maintaining close communications, these OFCs can provide appropriate support in accordance with the operational situation of the franchised store.

## Contract Type of Franchised Stores

| | Type A (4,263 stores) | Type C (9,344 stores) |
|---|---|---|
| Type of ownership<br>Land and buildings | Franchisee provides | Seven-Eleven Japan provides |
| Sales equipment, computers, etc. | Seven-Eleven Japan provides | |
| Contract period | 15 years | |
| Utilities | Seven-Eleven Japan 80%; Franchisee 20% | |
| Seven-Eleven Japan charge (royalty) | 43% of gross profit | An amount calculated on a sliding scale based on gross profit |
| | 5-year incentives and 15-year contract renewal incentives (reductions in franchise charge) offered | |
| Incentive system for multi-store operations | When one franchisee operates 2 or more 7-Eleven stores, a 3% incentive charge is applied to the second and subsequent stores.<br>When franchisees that have operated a 7-Eleven store for over five years open a new 7-Eleven store, the "incentive for stores open over five years" is applied to the new store from the beginning of its operation. | |
| Cost of disposing unsold items | Seven-Eleven Japan 15%; Franchisee 85% | |
| Minimum guarantee | 19 million yen<br>(franchisee's annual gross profit) | 17 million yen<br>(franchisee's annual gross profit) |

Notes: 1. Number of stores are as of February 29, 2012.
2. The condition for the Seven-Eleven Japan charge (royalty) and minimum guarantee applies to stores that are open for 24 hours a day.
3. Gross profit is equal to net sales minus net cost of goods sold, which is calculated by subtracting costs of inventory loss, disposal of merchandise, and rebates from gross cost of goods sold.

# STRENGTH 2 Store Network

**High-density, concentrated store openings are the foundation of high-value-added products and services.**

Through the use of the market concentration strategy, SEJ has been able to establish a distribution system and implement product strategies that leverage the distinctive features of high store densities. Moving forward, SEJ will continue working to open stores with a focus on quality. For example, SEJ will carefully consider the sites for new stores in accordance with strict conditions, thereby steadily enhancing profitability on a store-by-store basis.

## Merit of Market Concentration

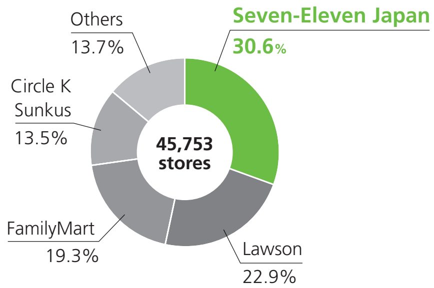
| | |
|---|---|
| Greater Familiarity with Customers | Efficient Construction of Production Bases |
| Effective Sales Promotion | Efficient Construction of Distribution Structure |
| Improved Efficiency in Guiding Franchised Stores | Prevent Entry by Competitors |

## As of February 29, 2012, Seven-Eleven Japan operates 7-Eleven stores in 39 of 47 prefectures in Japan.


(as of February 29, 2012)

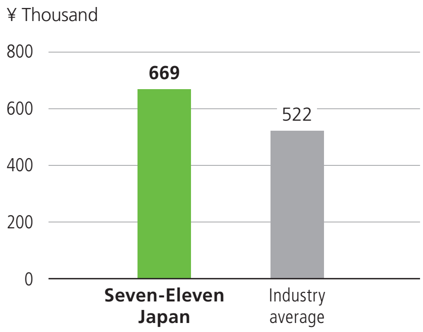
Indicates prefecture where we open stores only in limited areas by utilizing existing commissaries and distribution networks of adjacent prefectures.

### Share by store numbers




(as of February 29, 2012)

### Average daily sales per store for FY2012




Note: Industry average is the average of three major listed convenience store chains.

Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry), Public information from each company

➡ For further information regarding SEJ's store-opening initiatives, please refer to the Corporate Outline 2012 on pages 16, 17, and 33.

# STRENGTH 3 Item-by-item Management

**To implement item-by-item management, SEJ is building original information systems and distribution networks and is working to maximize the efficiency of store operations as well as profits.**

SEJ has built one of the world's largest information networks, which links stores, headquarters, combined distribution centers, and suppliers. In addition, SEJ has established a combined distribution system that is managed by third parties. This is a practical system that offers logistics advantages for customers, franchised stores, and suppliers.

## System that Realizes Item-by-item Management

Information Network — Products

### Stores

**Store Computer**
Information including financial data, sales data for each time zone, new products and sales promotion plans, and regional weather is displayed.

**POS Register**
When sales transactions occur, sales data is stored and transmitted to headquarters through the store computer.

**Graphic Order Terminal**
This terminal is used for placing orders on the sales floors.

**Scanner Terminal**
This is used for product check-in, registration of product display positions, and product freshness control.

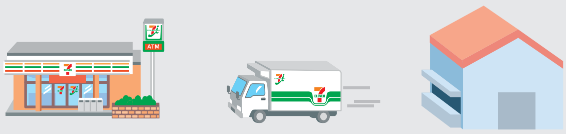
### Headquarters

**Manufacturers, suppliers, etc.**

### Temperature-separated Combined Distribution Centers

Group companies adopt a combined distribution system for greater efficiency, which allows products from different suppliers and manufacturers to be delivered to stores on the same truck. The combined distribution centers are operated by third parties.

| Distribution center | Temperature control | Delivery frequency |
|---|---|---|
| **Combined distribution center for rice-based products**<br>Lunch boxes, rice balls, and oven-fresh bread | 20° control | 3 times / day |
| **Combined distribution center for frozen products**<br>Ice cream, frozen foods, and ice cubes | –20° control | 3 to 7 times / week |
| **Combined distribution center for chilled products**<br>Sandwiches, delicatessen foods, and milk | 5° control | 3 times / day |
| **Tohan distribution center**<br>Books and magazines | | 6 times / week |
| **Combined distribution center for ambient-temperature products**<br>Confectioneries, instant noodles, and soft drinks | Normal temperature control | Every day |



## Advantages of Temperature-separated Combined Distribution System

Under SEJ's combined distribution system, products from different suppliers and manufacturers are loaded onto the same truck and delivered to stores. With temperature-separated combined distribution, products are maintained at the appropriate temperature from supplier and manufacturer to store, facilitating the efficient delivery of fresh products to stores.

For further information regarding information and distribution systems, please refer to the Corporate Outline 2012 on pages 22 and 23.

# STRENGTH 4 Original Products

**SEJ's ability to differentiate its operations from those of competitors is the result of a lineup of more than 1,000 original products. This lineup, which is SEJ's greatest strength, is the key factor behind strong store loyalty.**

SEJ is working together with the Nihon Delica Foods Association* to develop original daily food products, which are SEJ's core product. SEJ places a high priority on ensuring that the production facilities and distribution centers for its original daily food products are used only by SEJ. This enables SEJ to differentiate itself in the areas of product development, food safety management, and quality control.

* Nihon Delica Foods Association: Established in 1979, centered on manufacturers of rice-based products. Currently, about 80 companies are participating in the association, including makers of rice-based products, bakery products, delicatessen items, noodles, and Japanese pickles. The association is implementing initiatives in such areas as product development, quality control, joint procurement, and environmental countermeasures.

## Original Product Development Framework

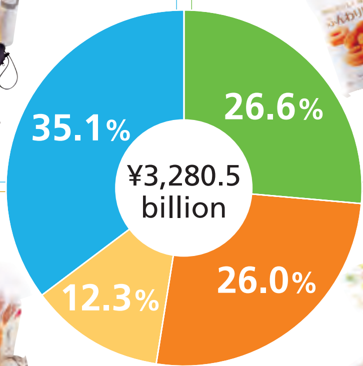
(as of February 29, 2012)


## Product Assortment that Reflects Customer Needs

| Products recommended by headquarters | Products carried at a store | New products introduced per week | Products replaced annually |
|---|---|---|---|
| Approx. **4,800** | Approx. **2,800** | Approx. **100** | Approx. **70%** |

**Nonfood:** daily commodities, cosmetics, magazines, game software, etc.

**Processed food:** soft drinks, snacks, instant noodles, retort-packed food products, etc.




**Daily food:** milk, dairy products, desserts, fresh pastries, etc.

**Fast food:** rice products, noodles, salads, *sozai* prepared dishes, oden, etc.

For further information regarding SEJ's product development system, please refer to the Corporate Outline 2012 on pages 20 and 22.

# STRENGTH 5 Service Development

**SEJ is aiming to meet customer needs with an expanded range of services and to increasingly offer "close by convenient stores."**

To make its stores a part of the daily lifestyle infrastructure, SEJ has expanded its range of services that are useful in daily life. A diverse range of SEJ services contributes to growth in the number of customer store visits. These services include ATM services, the acceptance of bill payments, meal delivery services, and ticket services provided with the use of multi-function copiers.

## Services that Realize "Close by Convenient Stores"

### Seven Bank ATM

Total number of transactions: 655 million*

* Fiscal year ended March 31, 2012

### Meal delivery service utilizing Seven-Meal

- Ordering
  - in store
  - by phone
  - by fax
  - through the Internet
- Receiving
  - in store
  - at home (delivery)

Sales volume: ¥10 billion

### Payment acceptance service

Total number of transactions: 358 million

### Service available from multi-function copiers

- Tickets for entertainment events
- Administrative services (local government services)
- Expressway bus tickets
- Sports promotion lottery ticket service

Sales volume of ticket service: ¥65.1 billion

**Message from Ryuichi Isaka, President of Seven-Eleven Japan Co., Ltd.**

## Striving to be an "irreplaceable" part of the daily lives of customers.

In 2011, we recognized anew the important role of "close by convenient stores." In particular, we worked together with franchise owners and suppliers to restore operations as rapidly as possible following the March 11 earthquake. I believe that this experience has further reinforced the solidarity of the 7-Eleven chain of stores.

There are ongoing changes in Japan's social environment, such as the aging of the population and the increase in working women. At the same time, however, there is also a decline in the facilities available for the provision of life support services, such as small and medium-sized retail stores, bank branches, and government service offices. As a result of this trend, I believe that convenience stores will increasingly be called on to provide "close by convenient services." It is important to always be aware of "what is needed in the sales area," and to continue to work in accordance with a cycle of hypothesis and verification.

Three years ago, we began to use the slogan "close by convenient" for our stores. Over this period, we have made steady progress in developing awareness among our employees, and the cooperative initiatives among departments are operating with a high degree of effectiveness. For our employees, this experience of achieving objectives through a process of trial and error has become an asset with both tangible and intangible aspects. As a result, I believe that we have established a system that will enable us to strive over the medium term for a record-high level of average daily sales per store—¥700,000.

"Contributing to local communities through the franchise business" is the starting point of our business, and we believe that increasing the satisfaction of franchisees, our most important stakeholders, will drive SEJ's further growth in the years ahead. Moving forward, we will work together with franchise owners to realize "close by convenient" stores and to further enhance the 7-Eleven chain's presence.

# Appendix: 7-Eleven, Inc.'s Business Model

7-Eleven, Inc. (SEI) has approximately 7,200 stores in the United States and Canada. As the global 7-Eleven licensor, SEI also provides licenses to operate 7-Eleven stores to each country and region except for Japan.

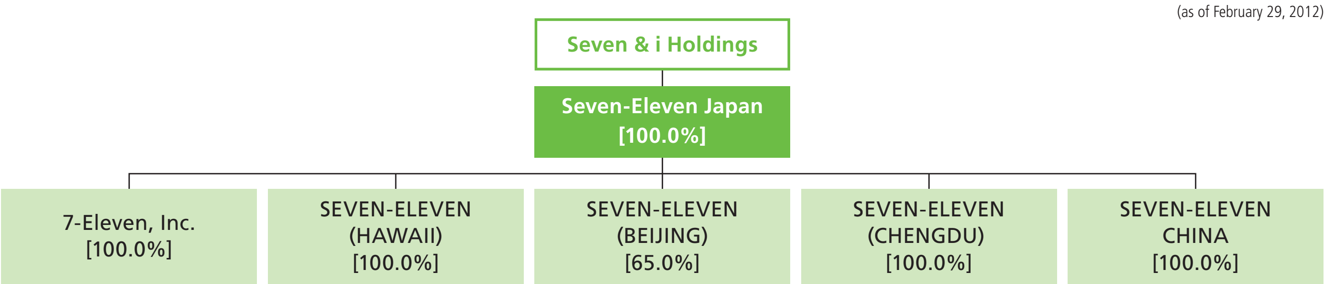
## 1 Development of the 7-Eleven Chain Around the World

### Capital Structure of Convenience Store Operations

SEI is a wholly owned subsidiary of SEJ. SEVEN-ELEVEN CHINA, which is the master licensor for China, and the companies that operate 7-Eleven stores in Beijing, Tianjin, and Chengdu, are subsidiaries of SEJ.

In China, to establish a system for the aggressive expansion of operations, plans call for the establishment in 2012 of a holding company (investment company) that will oversee the operating companies.

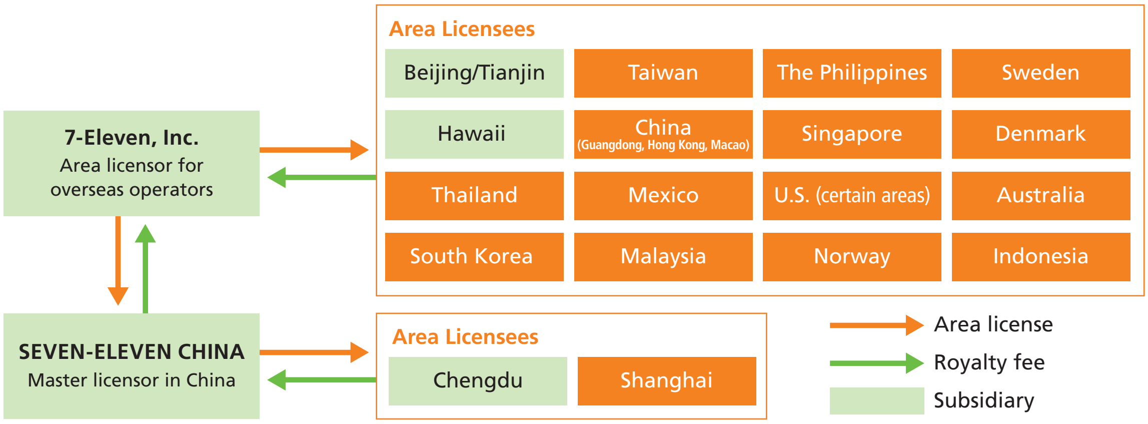
(as of February 29, 2012)




Notes: 1. [ ] indicates percentage of equity owned by the Group.
2. SEJ and Ito-Yokado respectively hold 81.0% and 19.0% equity in SEVEN-ELEVEN (CHENGDU).

### Relationships with Area Licensees Around the World

SEI is responsible for granting area licenses to overseas operators of 7-Eleven stores except for Japan. Royalty fees paid by area licensees are included in revenues from operations of SEI.




### 7-Eleven Major Store Operators

Leading corporate groups in each country and region operate 7-Eleven stores as area licensees.

| Country or Region | Operator | Number of Stores |
|---|---|---|
| Thailand | C. P. ALL Public Company Ltd. [Charoen Pokphand Group] | 6,276 |
| South Korea | Korea-Seven Co. Ltd. [Lotte Group] | 5,249 |
| Taiwan / China (Shanghai) | President Chain Store Co. Ltd. [Uni-President Enterprise Corp.] | 4,895 |
| China (Guangdong, Hong Kong, Macao) | The Dairy Farm Company, Limited [Dairy Farm International Holdings Limited] | 1,510 |
| Mexico | 7-Eleven Mexico S.A. de C. V. | 1,351 |
| Malaysia | 7-Eleven Malaysia Sdn Bhd | 1,328 |

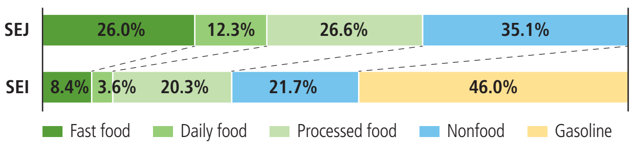
Notes: 1. The number of stores is as of December 31, 2011.
2. Company names in square brackets are those of the corporate groups affiliated with the companies listed.

For further information regarding the global strategy of convenience store operations, please refer to the Corporate Outline 2012 on pages 28, 29, and 35.

## 2 Comparison of 7-Eleven Stores in Japan and the United States / Canada

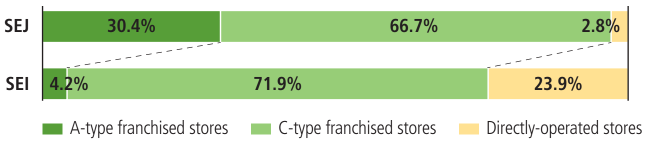
In terms of sales floor space and the number of products carried, there are no major differences between 7-Eleven stores in Japan and those in the United States and Canada. However, there are differences in the composition of sales by product and in the composition of stores by type. In particular, gasoline sales accounts for 46% of the sales of SEI. This is one major difference with SEJ.

### Sales composition by product category




Fast food offered by SEI

### Composition by store type




SEI store with gas station

## 3 Store-opening Policies

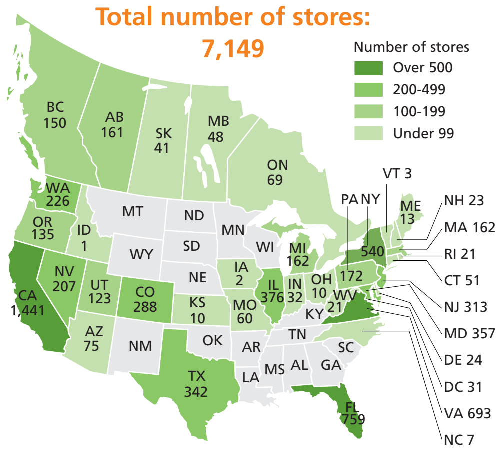
To increase efficiency in logistics and product strategies in the geographical areas in which it has stores, SEI is implementing a market concentration strategy in the same way that SEJ does in Japan.

| | Japan | U.S. / Canada |
|---|---|---|
| Number of stores by type*1 | A-type franchised stores 4,263<br>C-type franchised stores 9,344<br>Provisional management contract stores 1<br>Directly-operated stores 397<br>(as of February 29, 2012) | A-type franchised stores 299<br>C-type franchised stores 5,138<br>Directly-operated stores 1,712<br>(as of December 31, 2011) |
| Sales floor space per store*2 | Approx. 130 square meters | Approx. 160 square meters |
| Stores with gas stations | 39 stores*3 | 2,719 stores |

*1 For A-type, franchisees provide land and buildings. For C-type, franchisor provides land and buildings. For SEI, A-type store means business conversion program store.

*2 Most common size of stores.

*3 SEJ's stores with gas stations are joint operations opened in partnership with Exxon Mobil Corporation. Total store sales of SEJ does not include gasoline.




(as of December 31, 2011)

**Message from Joseph DePinto, President of 7-Eleven, Inc.**

# SEI is working together with SEJ to strengthen the 7-Eleven chain in markets around the world.

In the United States, the convenience store industry includes many small operators. Given the influence of uncertain factors, such as various regulations, increases in the price of crude oil, and declining margins on cigarettes, many operators are concerned about their future profitability. With sales of more than $20 billion, SEI has the operational scale and the product development capabilities that enable it to respond effectively to these changes in the operating environment.

SEI approaches these changes as business opportunities. Moving forward, SEI will take steps to establish a base of high-quality stores through aggressive store openings, including M&A activities. In addition, SEI will strengthen its product development, centered on fresh foods, hot foods, and private-brand products and will rigorously focus on item-by-item management in stores. In addition, by further reinforcing its cooperative relationship with SEJ, SEI will work to enhance product development and strengthen the operations of area licensees, thereby contributing to further growth for the 7-Eleven chain.

# Convenience Store Operations

**Revenues from Operations**
**¥1,690.9 billion**
**(17.0)%**

**Operating Income**
**¥214.6 billion**
**+9.8%**

**Capital Expenditures**
**¥164.9 billion**
**+55.1%**

## Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the convenience store segment's revenues from operations were ¥1,690.9 billion, down 17.0%, and operating income was ¥214.6 billion, an increase of 9.8%. Capital expenditures totaled ¥164.9 billion, up 55.1%, and depreciation and amortization rose 6.6%, to ¥73.2 billion.

The decline in revenues from operations was attributable to a change in the method used by 7-Eleven, Inc. (SEI) to account for revenues from operations related to franchise agreements, from "gross amount" to "net amount." The effect of this accounting change was to decrease revenues from operations by ¥521.1 billion, with no effect on operating income or net income. The record high level of operating income was the result of a number of factors. Due to the success of Seven-Eleven Japan (SEJ) measures targeting the realization of "close by convenient stores," the net increase in number of stores was 773, a record high, and average daily sales at new stores were ¥570,000, up 2.9% year on year. In addition, existing stores sales also increased substantially, rising 6.7%. Capital expenditures increased substantially due to a range of factors. These include aggressive store openings in Japan and overseas, switching to LED lights for

## Seven-Eleven Japan Co., Ltd.

(for the fiscal year ended February 29, 2012)

**Total Store Sales**
**¥3,280.5 billion**

**Operating Income**
**¥183.1 billion**

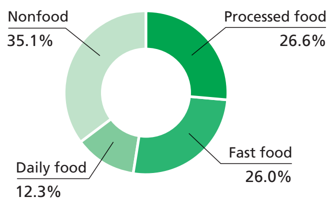
**Capital Expenditures**
**¥93.6 billion**

**Number of Stores**
**14,005 stores**

**Existing Stores Sales Increase***
**+6.7%**

**Merchandise Gross Profit Margin***
**29.7% (down 0.8 percentage point)**

**Sales by Product Category**




* The increase in sales of cigarettes due to the tax increase had a +4.8% effect on existing stores sales and a (0.9)% effect on merchandise gross profit margin.

## 7-Eleven, Inc.

(for the fiscal year ended December 31, 2011)

**Total Store Sales**
**¥1,624.0 billion**

**Operating Income**
**¥32.7 billion**

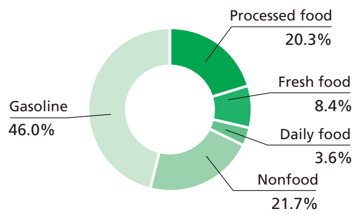
**Capital Expenditures**
**¥103.4 billion**

**Number of Stores**
**7,149 stores**

**Existing Stores Sales Increase**
**+2.8% (U.S. merchandise sales)**

**Merchandise Gross Profit Margin**
**34.7% (down 0.4 percentage point)**

**Sales by Product Category**



in-store lighting to further reduce electricity consumption in domestic stores, and reinforcing sales capabilities with the introduction of new island-type chilled cases.

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.

Island-type chilled case

Original products

## Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥1,870.0 billion, up 10.6%, and operating income of ¥228.9 billion, a gain of 6.6%. Capital expenditures are forecast at ¥216.0 billion, up 30.9%, and depreciation and amortization at ¥87.7 billion, an increase of 19.7%. The substantial rise in capital expenditures is principally a reflection of forecasts for increases at SEJ, due to aggressive store openings, and at SEI, due to aggressive store-opening initiatives including M&A transactions and for remodeling of existing stores.

### Domestic Operations

SEJ approaches changes in the social structure as opportunities for growth. These changes include an aging population, an increase in single-person households, a decline in the number of small and medium-sized retail stores, and an increase in the number of working women. In response, SEJ aims to realize "close by convenient stores."

| Business Strategies of Seven-Eleven Japan: Moving Forward with "Close by Convenient Stores" | |
|---|---|
| **Merchandising** | **Focusing on overwhelming differentiation through reinforced product development**<br>• Targeting further increases in the quality of daily products<br>• Increasing sales of *Seven Premium* products through product development in new categories and product renewals<br>• Strengthening service-related operations |
| **Store operations** | **Focusing on customer needs**<br>• Reevaluating sales area layouts for strengthened lineups of daily products<br>• Enhancing customer service through stepped up training programs that cover all employees at franchised stores |
| **Store-opening strategy** | **Strengthening the 7-Eleven chain and advancing the market concentration strategy through high-quality store openings**<br>• Taking on the challenge of opening a record high 1,350 stores<br>• Stepping up store openings in three large urban areas (Tokyo metropolitan area, Chukyo area, and Kansai area)<br>• Opening up new regions |

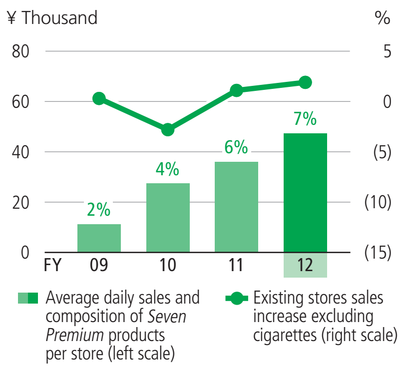
### Overseas Operations

In regard to overseas convenience store operations, SEI, which operates in the United States and Canada, will continue to focus on advancing new store openings, including through M&A transactions, and on converting directly-operated stores to franchise-operated stores. In addition, SEI will take steps to bolster productivity of existing stores, such as the focused, area-by-area introduction of new equipment in order to increase sales of fresh foods and hot foods. In China, the Group will work to bolster store operations at existing stores and to expand the store network through active store openings.

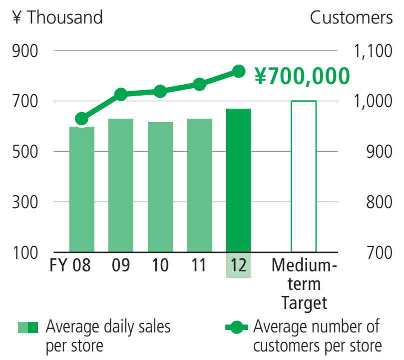
*7-Select* private-brand products

| Business Strategies of 7-Eleven, Inc.: Increasing Customer Satisfaction by Bolstering Differentiation Strategies | |
|---|---|
| **Merchandising** | • Reinforcing product development in fresh foods and hot foods<br>• Bolstering development of *7-Select* private-brand products<br>• Strengthening service-related operations |
| **Store operations** | • Conducting consolidated market rollout<br>• Utilizing strengthened guidance from operation field consultants for thorough implementation of item-by-item management |
| **Store-opening strategy** | • Taking on the challenge of opening a record high 680 stores, including M&A transactions<br>• Implementing market concentration strategy (increase store density in areas with existing stores) |

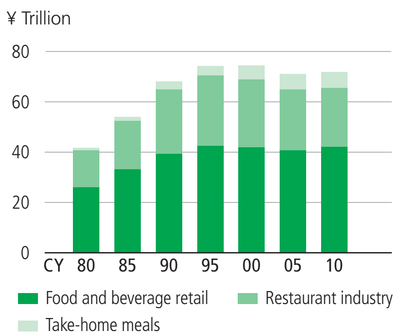
Sales of *Seven Premium* Products and Existing Stores Sales Increase, Excluding Cigarettes




Average Daily Sales and Number of Customers per Store




Market Scale—Food and Beverage Retail, Restaurant, and Take-home Meal Businesses




Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry)
Foodservice Industry Research Institute

## Seven-Eleven Japan

### We will strive to provide customers with "close by convenient stores."

### Merchandising

Measures to realize "close by convenient stores" will continue to be a central part of SEJ's business strategies as SEJ responds to changes in the social structure.

In products, targeting the realization of "close by convenient stores," we will expand our lineups of fast foods, which are a core product; products that help to reduce food preparation time in the home, such as *sozai* prepared dishes and frozen foods; and products that are indispensable in daily life, such as vegetables and sundries. In addition, through the aggressive introduction of *Seven Premium* products, we will work to increase our competitiveness in both quality and price. In fiscal 2012, average daily sales of *Seven Premium* products per store were approximately ¥50,000, and by the end of February 28, 2013, we will aim to increase sales of *Seven Premium* products up to ¥80,000 by developing new categories and stepping up in-store sales initiatives. Moreover, to leverage these merchandising policies even more effectively, we are introducing new fixtures, such as island-type chilled cases, and expanding sales areas for daily products, for which demand is increasing.

Our measures to realize "close by convenient stores" are starting to show steady results in the form of an expanding customer base. For example, we have succeeded in drawing housewives and women who work outside the home, who have not been core customers in the past, and as a result, customer store visits have increased.

### Store-opening Policies

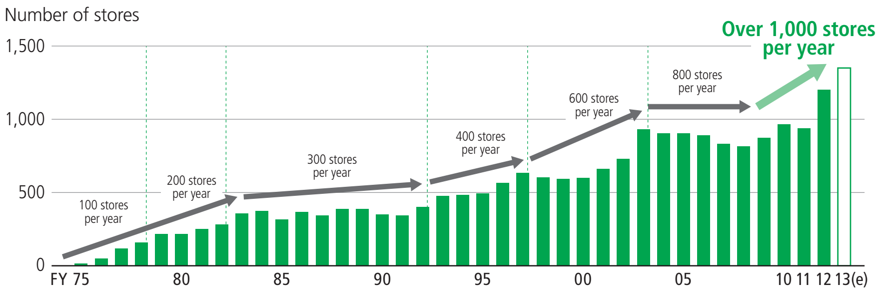
Our basic policy for opening stores is to implement our market concentration strategy while maintaining a focus on individual store profitability. We are planning to open 1,350 stores, a record high level, in fiscal 2013.

This aggressive approach to opening stores is attributable to a change in how SEJ views the market following the success of initiatives to realize "close by convenient stores." Rather than the conventional definition of the convenience store market, with sales of about ¥8 trillion, SEJ has redefined its market to include food and beverage retail, restaurant, and take-home meal businesses. This new market has total sales of ¥70 trillion. With a thorough response to new customer needs, we believe that there are significant opportunities for continued market development.

In regard to individual store profitability, by strictly selecting the locations for store openings, we will work to avoid opening new stores that fail to meet SEJ's standards for average daily sales.

Through these types of measures, we will aggressively open high-quality stores, work to raise investment efficiency, and strengthen the 7-Eleven chain.

Seven-Eleven Japan
Store Openings



## 7-Eleven, Inc.

**Expanding the store network through aggressive store openings and promoting the differentiation strategy through bolstered product development.**

### Store Initiatives

There are growing needs for small stores. SEI's operating environment is characterized by declining rental costs and an increase in the number of small, independent shops that are going out of business. SEI is approaching these trends as opportunities to open stores, and moving forward, SEI will further increase store openings, including M&A transactions. In comparison with SEJ's 30% share by number of stores in Japan, SEI's corresponding share is relatively low, about 5% of the stores in the United States. As a result, there are still substantial opportunities for SEI to expand its store network. In opening stores, SEI will implement M&A transactions with a focus on investment efficiency. In addition, SEI will also work to improve investment efficiency by stepping up the opening of BCP stores (A-type franchised stores), which require less initial investment by the franchisor. In general, stores will be opened in existing market concentration areas, with a focus on enhancing distribution and sales promotion efficiency within those areas. In the fiscal year ending December 31, 2012, SEI plans to open 680 stores, the largest number of store openings since SEI joined the Group in 1991.

Note: For business conversion program stores (BCP stores), the franchisee supplies the land and buildings for the store.


### Merchandising

To further enhance differentiation, SEI will focus on two key measures: "strengthen fresh foods and hot foods" and "strengthen *7-Select* private-brand products."

Development of fresh foods and hot foods will be strengthened from the perspectives of value, premium, and innovation. For *7-Select*, SEI offers quality equivalent to or better than national-brand products at prices that are 15% to 20% lower, but with larger product margins. SEI will focus on the development of new products while also continuing the innovation with existing products.

#### Strengthening Sales Capabilities at Existing Stores

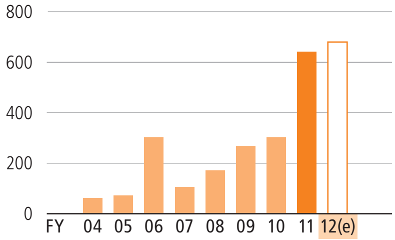
To deepen our market concentration strategy and implement merchandising more efficiently, we will bolster sales capabilities at existing stores.

In reforms at existing stores, SEI will upgrade its coffee bars, one of its strengths, and simultaneously introduce hot food equipment. In addition, by implementing these reforms in a consolidated market rollout (CMR) initiative, SEI will work to maximize the effects of the reforms. Under the CMR initiative, 954 stores were reformed in 2011 and plans call for 1,000 stores to be reformed in 2012.

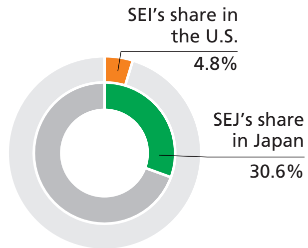
Moreover, SEI will move ahead with measures to bring the stores acquired through M&A transactions in the previous period into line with SEI standards. At many of these stores, gasoline sales play a lead role in store operations, and accordingly, there is room for improvement in their product lineups. SEI will work to improve sales not only by remodeling store exteriors, but also by expanding product lineups—centered on fresh foods, hot foods, and private-brand products—and by introducing new store IT systems.

**7-Eleven, Inc.**

**Store Openings**




**Share by Number of Stores, Japan and the U.S.**




Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry)
National Association of Convenience Stores

Coffee bar

Hot foods

# Superstore Operations


**Revenues from Operations**
**¥1,992.2 billion**
**+0.5%**

**Operating Income**
**¥32.4 billion**
**+106.5%**

**Capital Expenditures**
**¥40.2 billion**
**(25.6)%**

## Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the superstore segment's revenues from operations were ¥1,992.2 billion, up 0.5%, and operating income was ¥32.4 billion, an increase of 106.5%. Capital expenditures totaled ¥40.2 billion, down 25.6%, and depreciation and amortization rose 10.6%, to ¥28.6 billion.

At Ito-Yokado, a reduction in large-scale sales promotions led to a decline in revenues from operations, but the gross profit margin improved due to lower markdown losses and SG&A expenses were reduced. As a result, operating income improved. At York-Benimaru, the March 11 earthquake resulted in the suspension of operations at certain stores, which had the effect of reducing sales. However, demand increased after the earthquake, leading to higher revenues from operations for the fiscal year. Operating income also increased due to improvement in the gross profit margin and a reduction in SG&A expenses. In addition, favorable performances were registered by York Mart and Akachan Honpo. Consequently, the superstore segment recorded a high rate of growth in operating income.

## Ito-Yokado Co., Ltd.

(for the fiscal year ended February 29, 2012)

**Revenues from Operations**
**¥1,361.0 billion**

**Operating Income**
**¥10.5 billion**

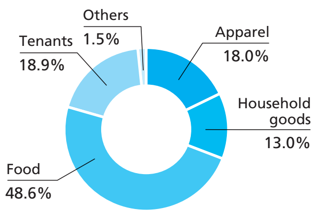
**Capital Expenditures**
**¥18.0 billion**

**Number of Stores**
**173 stores**

**Existing Stores Sales Increase**
**(2.6)%**

**Merchandise Gross Profit Margin**
**29.7% (up 0.6 percentage point)**

**Sales by Product Category**




## York-Benimaru Co., Ltd.

(for the fiscal year ended February 29, 2012)

**Revenues from Operations**
**¥348.6 billion**

**Operating Income**
**¥14.9 billion**

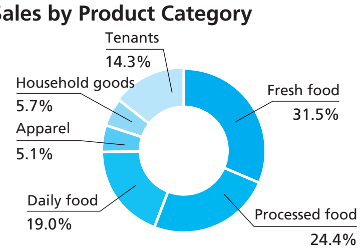
**Capital Expenditures**
**¥7.0 billion**

**Number of Stores**
**176 stores**

**Existing Stores Sales Increase**
**+1.5%**

**Merchandise Gross Profit Margin**
**27.0% (up 0.4 percentage point)**

**Sales by Product Category**



## Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥2,060.0 billion, up 3.4%, and operating income of ¥35.0 billion, a gain of 7.9%. Capital expenditures are forecast at ¥55.0 billion, up 36.5%, and depreciation and amortization at ¥29.3 billion, an increase of 2.4%. The increase in capital expenditures includes investment related to *Ario* shopping centers, which Ito-Yokado plans to open in the fiscal year ending February 28, 2014, and thereafter.

York-Benimaru



### Superstore Operations

As one part of structural reforms in stores, Ito-Yokado will implement sales area reforms using specialty stores from inside and outside the Group. In addition, we will take steps to strengthen development and sales of private-brand products and reduce markdown losses. In this way, we will further improve our earnings platform.

| Business Strategies of Ito-Yokado: Bringing a New Perspective to Superstore Operations | |
|---|---|
| Merchandising | **Food: Further increasing competitiveness by using the Group's comprehensive strengths**<br>• Thoroughly increasing differentiation by strengthening sales of fresh foods<br>• Bolstering Group merchandising<br>**Apparel: Continuing structural reforms**<br>• Nurturing core private brands<br>• Improving efficiency in apparel sales areas through the use of tenants<br>***Net Supermarket*: Focusing on interaction between Internet shopping and actual stores** |
| Store operations | **Implementing thorough structural store reforms**<br>• Increasing customer-drawing power through the use of specialty stores from inside and outside the Group<br>• Bolstering sales capabilities at high-profit stores through strategic investment.<br>• Enhancing customer service levels and sales techniques by reinforcing human resources development |
| Store initiatives | **Improving profitability at existing stores**<br>• Focusing store openings on *Ario* shopping centers and small urban-type supermarkets<br>• Reexamining closing unprofitable stores (excluding stores in the Tohoku area) |

### Food Supermarket Operations

To support the recovery of the area most affected by the March 11 earthquake, York-Benimaru will continue to strengthen its lineup of products that meet local needs. In addition, we will aggressively open new stores.

| Business Strategies of York-Benimaru: Reinforcing Lifestyle-proposal Supermarkets | |
|---|---|
| Merchandising | **Maximizing gross profit**<br>• Strengthening product development capabilities and nurturing core categories<br>• Converting pricing policy to everyday fair price system<br>• Promoting differentiation strategy utilizing *Seven Premium* products |
| Store operations | **Increasing productivity with thorough focus on the basics**<br>• Rigorously implementing item-by-item management and correcting gaps among stores and departments<br>• Improving operational efficiency through reevaluation of store-level work process<br>• Strengthening human resources development |
| Store-opening strategy | **Stepping up market concentration strategy and upgrading new store formats**<br>• Implementing strategic store network expansion targeting transition from "reconstruction" to "rebirth"<br>• Establishing store format for small commercial areas |

### China Operations

In Chengdu, Sichuan Province, we will work to further expand our earnings platform through sustained favorable performances at existing stores and through the full-year results of the large-scale shopping center opened in November 2011. In Beijing, we will work to increase sales at existing stores by improving our tenant mix and to increase the gross profit margin by breaking away from low-pricing oriented sales

*L&B GALLORIA* women's wear (above) and *Kent* menswear

models. In this way, we will strive to improve profitability. In store operations, we will work to achieve differentiation through carefully tailored customer service. In addition, we will aggressively utilize local staff, centered on management positions, to promote the creation of stores with strong ties to local communities. In these ways, we will strive to achieve further growth.

## Ito-Yokado

**With the objective of establishing a new superstore format, we will strengthen our profit structure.**

### Merchandising

To increase customer loyalty at Ito-Yokado, we ended the previous pricing policy from the fiscal year ended February 29, 2012. The previous policy emphasized a low-price orientation and large-scale sales promotions. In this way, we are working to rebuild our profit structure. We will further strengthen our food sales capabilities, centered on competitive private-brand products. In apparel, which has been taking on the challenge of improving profitability, we will continue to promote reforms.

In food, we will expand the *Seven Premium* line of private-brand products, and in fresh foods we will strive to provide safe, secure foods that offer high levels of freshness at attractive prices. In this way, we will work to achieve differentiation. In apparel, we will nurture our four core lines of private-brand products—*good day, L&B GALLORIA, Kent,* and *BODY HEATER / BODY COOLER* functional underwear. With the *good day* line, we will establish a product development system by handling the entire product cycle in-house, from product planning to sales. This initiative

Advancing store initiatives to reform the profit structure

| | 1. Establish a new profit structure | 2. Invest in existing stores | 3. Close unprofitable stores |
|---|---|---|---|
| Past Initiatives | **Development of *Ario* shopping centers**<br>12-store system as of the end of February 2012<br>(Implemented successive store openings since its 1st store launch in 2005) | **Strategic investment by utilizing specialty stores from inside and outside the Group**<br>Implemented in 36 stores from Fiscal 2011 and Fiscal 2012 | **Closures, centered on regional stores**<br>Implemented 36 store closures from Fiscal 2006 to Fiscal 2012 |
| Results | Nurturing *Ario* into a profitable business | Bolstering sales capabilities and increasing profits | Improving profitability through cost reductions |
| Future Initiatives | **Open 5 stores over the next three years** | **Plans call for 26 stores in Fiscal 2013** | **Further implementation, centered on regional stores** |

**Establish foundation for the achievement of 3% operating income margin, centered on *Ario* shopping centers and high-profit stores in the Tokyo metropolitan area**

**Message from Atsushi Kamei, President of Ito-Yokado Co., Ltd.**

## Through the comprehensive provision of "tangible goods + information + services," we will strive to build new store loyalty.

In the fiscal year ended February 29, 2012, we began to see the results of the various reforms that we have implemented in recent years. In merchandising reforms, especially in the field of apparel, we have successfully strengthened sales of private-brand products and reduced markdown losses on national-brand products, and as a result profitability has improved. In structural store reforms, we have worked to improve stores characterized by sluggish results, and moving forward we will also implement aggressive reforms to further strengthen sales capabilities at profitable stores.

I believe that a key strength of superstores is their ability to provide an environment that is fun for customers. While meeting the needs of local communities, superstores can use actual store facilities to combine extensive lineups of apparel, household goods, and food with a range of information, such as over the Internet, and a variety of services. Our future store openings will be centered on *Ario* shopping centers, which can comprehensively provide "tangible goods + information + services," and on *Shokuhinkan* small urban supermarkets, which will offer upgraded selections of fresh foods.

In the fiscal year ended February 29, 2012, we achieved growth in income, but our profitability is still an issue. Moving forward, we will continue to implement structural store reforms. In addition, we will leverage the infrastructure of the Group, which includes a range of business formats, as we strive to make the most of the unique Seven & i Group strengths throughout Ito-Yokado stores.

will improve the gross profit margin. For *L&B GALLORIA*, we will work to utilize the customer service knowhow of the Group's Sogo and SEIBU department stores to enhance our sales capabilities.

In the fiscal year ending February 28, 2013, we expect the four core lines of private-brand apparel to account for about 25% of our apparel sales.


*Ario* Matsumoto store

### Store Initiatives

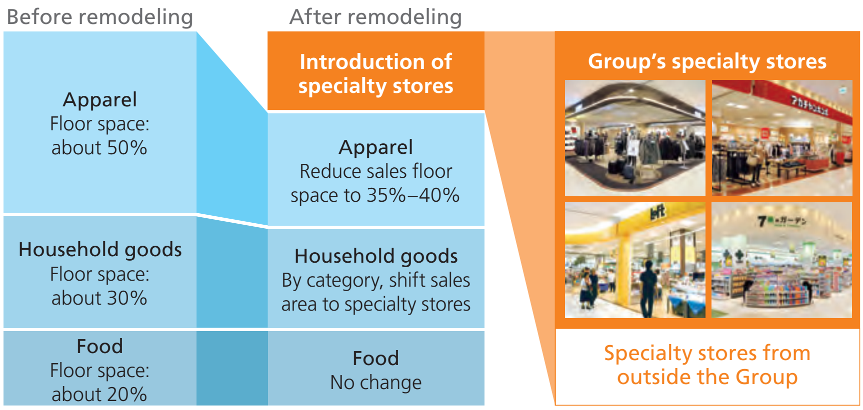
In store openings, we will focus on *Ario* shopping centers with high customer-drawing power and on small stores, centered on food, in urban areas. Although initial setup costs are incurred in the first year of shopping center operations, from the second year these operations follow a trend of growth in profits. Shopping centers have steadily grown into a new format for Ito-Yokado. In the fiscal year ending February 28, 2013, we plan to open one shopping center and eight small stores. Following the March 11 earthquake, store closures had been temporarily halted to support employment and meet reconstruction demand in the disaster-stricken areas. However, moving forward, we will consider closing unprofitable stores, other than stores in the disaster-stricken Tohoku area.

For existing stores, we will implement strategic investment in profitable stores in the Tokyo metropolitan area. Over the past two years, we have implemented structural reforms at 36 stores, and these reforms have continued to record growth in profits in each of those fiscal periods. In addition, we plan to implement reforms at 26 stores in the fiscal year ending February 28, 2013. By optimizing sales area composition, we will increase the efficiency of directly-managed sales areas, and by using the freed-up space for specialty stores from inside and outside the Group, we will strive to improve overall store profitability.

Approach to the optimization of directly-managed sales areas

Increasing customer-drawing capability through the introduction of specialty stores and improving efficiency in retailer-managed sales areas

→ **Bolstering sales capabilities for entire store**




**Message from Zenko Ohtaka, President of York-Benimaru Co., Ltd.**

## We will aim to be the No. 1 supermarket in local communities.

In 2011, York-Benimaru suffered significant damage from the Great East Japan Earthquake. However, as a result of strenuous recovery work, we were able to restore normal operations relatively quickly, and the entire company worked to promote the full-fledged reconstruction of the affected region.

Since the earthquake, there have been changes in the shopping patterns and values of our customers, who have increasingly focused on economical prices combined with "quality." In response to these changes, York-Benimaru will continue to expand its offerings of private-brand products. Also, with safety and security related needs growing in importance, we will rigorously reinforce quality control, particularly in fresh foods, and offer delicious, fresh products. In addition, we will shift from a sales method that relies principally on large-scale sales promotions to an everyday fair price system where customers can make purchases at reasonable prices whenever they come to the store. To implement this everyday fair price system, we must establish low-cost operations. Accordingly, we will work to improve cost efficiency in stores and step up the market concentration strategy in store openings. In this way, we will strive to secure the No. 1 share of sales in our markets.

For York-Benimaru, which provides everyday food products, our human resources are our greatest asset, including our part-time employees. If all of our employees understand and implement the company philosophy, I believe that we can record further growth. Moving forward, we will further increase our efforts in the area of human resources development.

# Department Store Operations



**Revenues from Operations**
**¥900.2 billion**
**(1.6)%**

**Operating Income**
**¥9.9 billion**
**+76.9%**

**Capital Expenditures**
**¥16.0 billion**
**(42.2)%**

## Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the department store segment's revenues from operations were ¥900.2 billion, down 1.6%, and operating income was ¥9.9 billion, an increase of 76.9%. Capital expenditures totaled ¥16.0 billion, down 42.2%, and depreciation and amortization was down 2.4%, to ¥14.0 billion.

The decline in revenues from operations was attributable to the closure of SEIBU Yurakucho in the previous fiscal year and lower sales at existing stores in the year under review. Sales at existing stores were down 0.5% year on year, due primarily to a substantial decline in March, when there were 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. In addition, existing stores sales were supported by the effects from the remodeling of the SEIBU Ikebukuro flagship store and a new membership campaign coordinated with an improved members card system. As a result, from April, sales at existing stores were up year on year. Despite the decline in revenues from operations and a decrease of 0.3 percentage point in the merchandise gross profit margin, a decline in SG&A expenses resulted in higher operating income.

With the objective of focusing management resources and increasing asset efficiency, Sogo Hachioji was closed on January 31, 2012.

## Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥906.0 billion, up 0.6%, and operating income of ¥12.9 billion, an increase of 29.7%. Capital expenditures are forecast at ¥15.5 billion, down 3.5%, and depreciation and amortization at ¥13.3 billion, down 5.1%.

## Sogo & Seibu Co., Ltd.

(for the fiscal year ended February 29, 2012)

**Revenues from Operations**
**¥830.3 billion**

**Operating Income**
**¥11.1 billion**

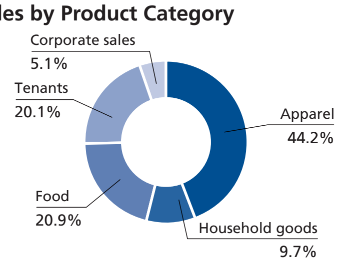
**Capital Expenditures**
**¥13.3 billion**

**Number of Stores**
**26 stores**

**Existing Stores Sales Increase**
**(0.5)%**

**Merchandise Gross Profit Margin**
**25.1% (down 0.3 percentage point)**

**Sales by Product Category**



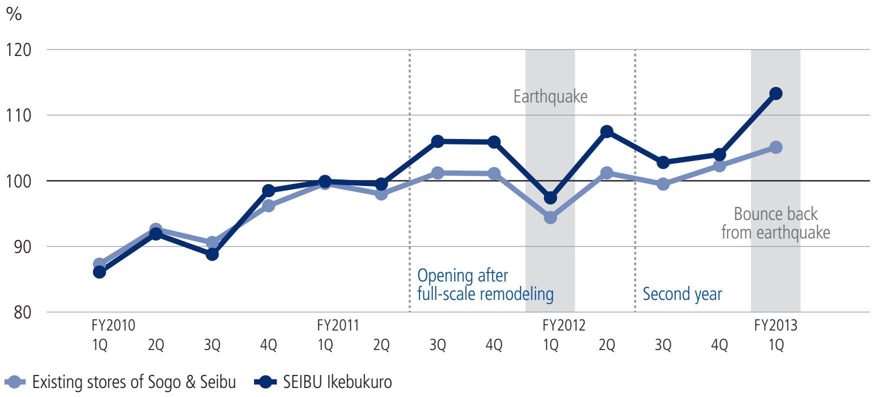
At Sogo & Seibu, we will extend the successful examples of the remodeling of the SEIBU Ikebukuro store to other stores and take on the challenge of "new department store creation" in line with changes in patterns of consumption. Through the full-fledged operation of the *e.depart* Internet shopping service, we will strengthen our sales capabilities. We will also take on new challenges, such as opening small-scale department stores in Group commercial facilities.

### Existing Stores Sales Increase and SEIBU Ikebukuro

Sales continue to increase YoY even in second year since remodeling with an increase in the number of customer purchases

→ **SEIBU Ikebukuro is supporting sales growth at Sogo & Seibu as a whole.**

Quarterly sales trend




| Business Strategies of Sogo & Seibu: Taking on the Challenge of Establishing a New Type of Department Store | |
|---|---|
| **Merchandising** | **Differentiation strategy centered on apparel**<br>• Establishing retailer-managed merchandising system<br>• Securing best-selling products through the introduction of a new product information system<br>• Bolstering product procurement through an increase in store buyers |
| **Store operations** | **Further strengthen key stores, which account for about 60% of sales and about 80% of profits**<br>• Extending examples of success at SEIBU Ikebukuro to other stores<br>• Strengthening customer service capabilities |
| **New operations / new formats** | • Launching full-scale operation of *e.depart* Internet shopping service<br>• Opening small-scale department stores in Group commercial facilities and other locations |

## Sogo & Seibu

**By strengthening the differentiation strategy, centered on apparel, we will move ahead with the creation of a new type of department store.**

### Merchandising

At Sogo & Seibu, we will strengthen development and sales of *Limited Edition* private-brand products and continue working to expand store-managed sales areas. In this way, we will establish a retailer-managed merchandising system. Moreover, we will establish a system that will enable quick procurement of best-selling products through the introduction of a new product information system and the implementation of original attribute analysis of sales data. In this way, we will work to increase the appeal of the product lineups in stores.

### *Limited Edition*

We began sales of *Limited Edition* products in fall 2009. These private-brand products offer the sense of luxury and fashionable quality associated with department stores at only about 60% of the price of comparable national-brand products. Since the introduction of *Limited Edition,* we have expanded the scope of the brand to include apparel for women, men, and children as well as interior products and sportswear. In apparel, *Limited Edition* has been expanded from high-quality standard products

Sales area of *Limited Edition*

Sales area for men's shoes


Sogo & Seibu will move ahead with the creation of sales areas that make an impression on customers.

created in collaboration with designers to brand development conducted in cooperation with well-known creative directors. Moving forward, we will continue to nurture *Limited Edition*, which will play a central role in supporting the differentiation of Sogo & Seibu.

### Introduction of a new product information system

In the past, the product lineups in department stores had primarily been handled on a consignment basis, and suppliers had the primary responsibility for the product lineups. As a result, it was difficult to achieve differentiation from other department stores. However, in March 2012, Sogo & Seibu introduced a new product information system in all stores. This system enables us to quickly provide the appealing products that customers want to purchase. Through the effective use of this product information system, Sogo & Seibu can take the lead in offering product lineups based on sales data and advance the quick procurement of best-selling products.

**Merits of the new product information system**

- Improved merchandising: By tracking sales data that is analyzed by such attributes as materials, design, and size on an item-by-item basis, it is possible to quickly procure best-selling products.
- Improved sales area operations: Through the use of tablet terminals, it is possible to reduce desk work and increase time spent with customers in the stores.
- Strengthened alliances with suppliers: By sharing data with suppliers, it is possible for both sides to increase efficiency.

**Message from Kunio Yamashita, President of Sogo & Seibu Co., Ltd.**

## Sogo & Seibu will take on the challenge of "new department store creation" and work to increase profitability.

Customers are finding value not in physical possessions but in such intangibles as family relationships, health, and hobbies. Consumption patterns are evolving, and I believe that we need to change the traditional department store sales method, under which suppliers have largely determined product lineups. At SEIBU Ikebukuro, our flagship store, we have begun to take on the challenge of "new department store creation."

More than one year has passed since the September 2010 grand reopening of SEIBU Ikebukuro, and the store is recording strong results, with year-on-year gains in both sales and the number of customer purchases. One reason for these results is the introduction of the food sales knowhow of Ito-Yokado and York-Benimaru, especially in fresh foods. In apparel, in addition to strengthening retailer-managed merchandising, we have also arranged products by theme and category and enhanced our ability to make proposals and to provide information in lifestyle-related areas. By changing from the previous sales method, where we delegated product choice to suppliers, to a new method that is based on decisions made in-house, we have improved lineups and services. As a result, we have earned the support of customers. In the year ahead, we will strive to extend the success at SEIBU Ikebukuro to other key stores and to improve sales and profits.

I believe that our status as a member of one of the world's largest retail groups is a strength that cannot be matched by other department stores. Moving forward, we will endeavor to make full use of Group strengths, to be an industry leader, and to make steady, consistent progress.

# Food Services

Revenues from Operations
**¥78.0 billion**
**(2.7)%**

Operating Loss
**¥(95) million**
Improved profitability by ¥98 million

Capital Expenditures
**¥0.8 billion**
**+57.6%**


Remodeling restaurants to offer cafe-style operations

## Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the food services segment's revenues from operations were ¥78.0 billion, down 2.7%, and operating loss was ¥95 million, an improvement of ¥98 million from the previous fiscal year. Capital expenditures totaled ¥0.8 billion, up 57.6%, and depreciation and amortization declined 17.8%, to ¥0.6 billion.

In the core restaurant division, operating hours were reduced due to the Great East Japan Earthquake. The rate of growth in sales at existing restaurants declined year on year, with an especially large decline in March. However, we successfully invigorated existing restaurants by strengthening menu items and improving customer service capabilities. In the second half of the fiscal year, sales were higher year on year.

In the meal provision service division, we were entrusted with the cafeteria operations for the Group's Sogo and SEIBU department stores, we opened cafeterias next to SEJ stores, and we increased openings of facilities in companies outside the Group. As a result, the division recorded higher revenues.

In addition, we made progress with cost reductions, such as labor expenses and store expenses, centered on the restaurant division. As a result, Seven & i Food Systems, which is responsible for food services, achieved improved operating results and was profitable for the first time since it was established in the fiscal year ended February 29, 2008.

## Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥80.0 billion, up 2.5%, and operating income of ¥1.3 billion, an increase of ¥1.3 billion. Capital expenditures are forecast at ¥3.0 billion, up 260.8%, and depreciation and amortization at ¥0.7 billion, an increase of 4.9%.

To build a foundation for growth over the long term in food services, we will reinforce our focus on the fundamentals—greetings and customer service, cleanliness, and the provision of delicious food. In products, to further increase the appeal of Denny's hamburger, its core product, we will provide menu items with a focus on ingredients. We will also work to leverage Group synergies in raw material procurement and sales promotions. In restaurants, we will take steps to increase the level of service through enhanced human resources development. In addition, we will work to create an environment that meets the needs of customers, such as remodeling older stores, offering separated smoking and nonsmoking sections, and moving to cafe-style operations. In this way, we will increase customer loyalty.

## Seven & i Food Systems Co., Ltd.

(for the fiscal year ended February 29, 2012)

Revenues from Operations
**¥77.9 billion**

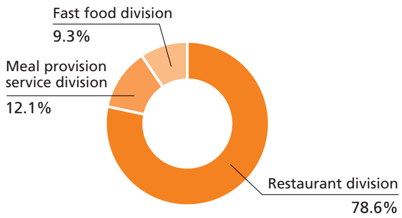
Operating Income
**¥22 million**

Number of Stores (restaurant division)
**486 stores**

Existing Stores Sales Increase
**(1.0)%**

Merchandise Gross Profit Margin
**68.3% (no YoY change)**

Sales by Product Category



# Financial Services

**Revenues from Operations**
**¥129.6 billion**
**+21.2%**

**Operating Income**
**¥33.7 billion**
**+19.2%**

**Capital Expenditures**
**¥26.7 billion**
**+36.5%**

## Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the financial services segment's revenues from operations were ¥129.6 billion, up 21.2%, and operating income was ¥33.7 billion, an increase of 19.2%. These gains were primarily attributable to the new consolidation of Seven CS Card Service Co., Ltd. At Seven Bank, increases in the number of installed ATMs and the number of transactions made by customers of deposit-taking financial institutions resulted in steady growth in the total number of transactions. As a result, Seven Bank recorded increases in revenues and profits. At Seven Card Service, revenues improved in both credit card operations and electronic money operations. Consequently, Seven Card Service registered gains in revenues and profits. Capital expenditures totaled ¥26.7 billion, up 36.5%, and depreciation and amortization was down 1.7%, to ¥20.3 billion.

## Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥140.0 billion, up 8.0%, and operating income of ¥35.6 billion, an increase of 5.4%. Capital expenditures are forecast at ¥32.2 billion, up 20.2%, and depreciation and amortization at ¥24.2 billion, an increase of 19.0%. These figures reflect an increase in the number of installed ATMs and the installation of third-generation ATMs at Seven Bank.

Seven Bank will work to strengthen existing operations through continued increases in installed ATM units and the cultivation of new customers. In addition, Seven Bank will take steps to establish new sources of earnings, such as the promotion of the international money transfer service launched in March 2011. In card operations, we will work to further increase convenience by leveraging credit cards and *nanaco* electronic money service as shared Group infrastructure.

| Business Strategies | |
|---|---|
| ATM operations | • Expanding ATM operations<br>• Accelerating transition to third-generation ATMs with enhanced functions<br>**Principal features of third-generation ATMs**<br>• Time per withdrawal reduced to two-thirds of previous generation<br>• Electricity consumption reduced by about 48%<br>• Expanding international money transfer service and increasing individual loan customers |
| Card operations | • Securing new members and promoting usage<br>• Increasing number of active members by enhancing convenience<br>• Encouraging customers to use other Group companies through *nanaco* |

## Seven Bank, Ltd.

(for the fiscal year ended March 31, 2012)

**Ordinary Income**
**¥88.3 billion**

**Ordinary Profit**
**¥29.5 billion**

**Number of Installed ATMs**
**16,632**

**Total Number of Transactions**
**655 million**

**Daily Average Transactions per ATM**
**112.6**

(as of February 29, 2012)

| Number of Cards Issued | (millions) |
|---|---|
| Seven Card (credit card and point function) | 3.2 |
| CLUB ON/Millennium CARD SAISON (credit card) | 3.1 |
| *nanaco* (electronic money) | 16.3 |
| Seven Bank (cash card) | 0.9 |

# Others

Revenues from Operations
**¥47.4 billion**
**+33.3%**

Operating Income
**¥2.3 billion**
Improved profitability by ¥2.9 billion

Capital Expenditures
**¥3.1 billion**
**(97.6)%**

### Launch of *SevenSpot* Free Wireless Communications Service

In December 2011, the Seven & i Group launched *SevenSpot*, a free wireless communications service in stores in the Tokyo area operated by SEJ, Ito-Yokado, Sogo & Seibu, and Seven & i Food Systems. Plans call for the *SevenSpot* service to be available in all stores nationwide by the end of February 2013.

*SevenSpot* helps to ensure that there will be a stable communications environment even in times of disaster. Moreover, we also expect it to be used as a means of communicating emergency information in the event of a disaster.

## Overview of the Fiscal Year

In the fiscal year ended February 29, 2012, the other segment's revenues from operations were ¥47.4 billion, up 33.3%, and operating income was ¥2.3 billion, an improvement of ¥2.9 billion year on year. This performance was principally attributable to the full-year contribution made by Seven & i Asset Management, which was established in September 2010. Capital expenditures were ¥3.1 billion, a decline of 97.6% from the previous fiscal year, when the land, buildings, and rights of leasehold of SEIBU Ikebukuro were acquired by Seven & i Asset Management. Depreciation and amortization increased 61.9%, to ¥2.5 billion.

In IT operations, we took steps to expand highly convenient services utilizing the Group's infrastructure. To that end, 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.

## Outlook and Initiatives for Fiscal 2013

For the fiscal year ending February 28, 2013, the segment is forecasting revenues from operations of ¥65.0 billion, up 36.9%, and operating income of ¥2.8 billion, an increase of 21.5%. Capital expenditures are forecast at ¥4.0 billion, up 28.4%, and depreciation and amortization at ¥3.3 billion, an increase of 27.5%.

In IT/services, we will work to maximize synergies through interaction between Internet shopping operations and the Group's domestic network of about 15,600 stores, one of the Group's strengths. In addition to strengthening our lineups and services, Seven Net Shopping is taking steps to bolster its business infrastructure, such as moving forward with preparations for the establishment of a new distribution center to realize smooth, prompt shipping and delivering.

### Core operating companies in the other segment

The other segment principally comprises companies that operate IT/services related businesses that are associated with retail operations, the core business of the Group.

**Seven & i Netmedia**

Seven & i Netmedia is an intermediate holding company with overall responsibility for IT/services.

**Seven Net Shopping**

Seven Net Shopping operates the Group's Internet shopping services.

**Seven-Meal Service**

Seven-Meal Service conducts planning and operation of SEJ's meal delivery services.

**7dream.com**

7dream.com operates information terminal operations and provides services utilizing the multi-function copy machines in SEJ stores.

**Seven & i Asset Management**

Seven & i Asset Management holds and manages the land and buildings of SEIBU Ikebukuro, Sogo & Seibu's flagship store.

# Corporate Governance

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to maximize the enterprise value of the Seven & i Group over the long term. In taking steps to achieve this goal, the Company seeks to create Group synergies and implements the appropriate allocation of management resources. On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

In this way, responsibilities are clearly allocated among Group companies, and, through oversight by the directors and auditing by the corporate auditors, the Company's corporate governance system strives to ensure that these operating company activities are implemented in a manner that is fair, appropriate, and effective.

## Organization

The Company uses the corporate auditor system. Through this corporate auditor system, the Company implements management oversight. The Company's Board of Directors comprises 16 members, of whom three are outside directors. Through the use of multiple outside directors who maintain their independence and have knowledge and experience related to high-level management, the Company protects the interests of general shareholders and enhances the quality of decision making in business execution. To ensure appropriate reflection of the wishes of shareholders, the term of directors has been set at one year.

To facilitate prompt decision making and business execution, the Company has introduced the executive officer system. Under this system, the Board of Directors is able to focus on the formulation of management strategies and the oversight of business execution, while the executive officers can focus on business execution.

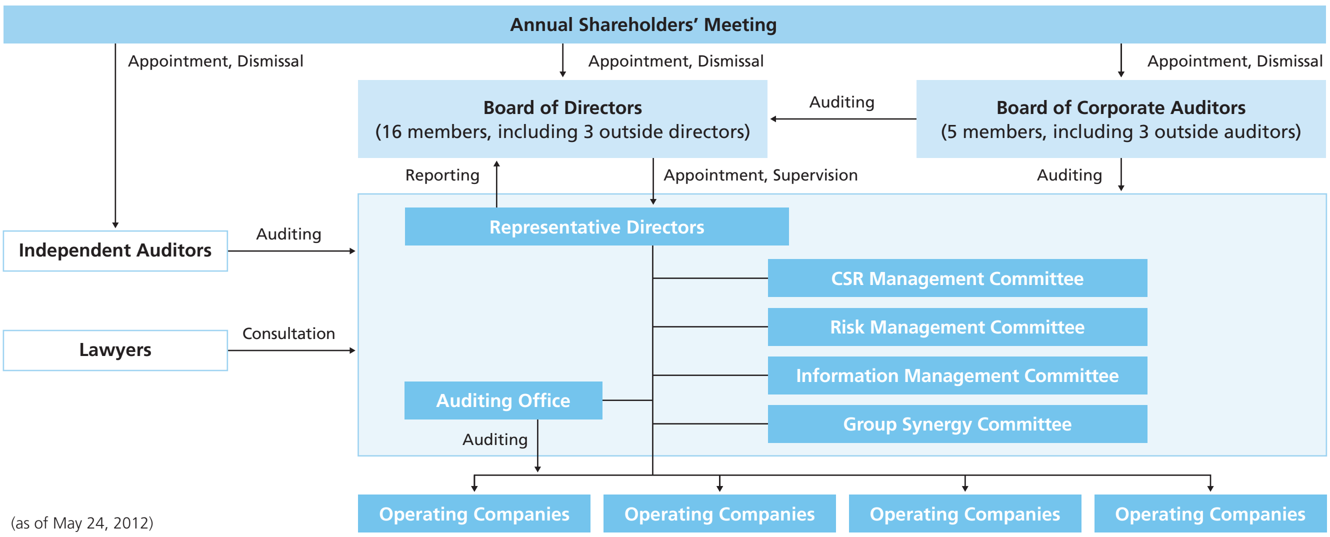
The Board of Corporate Auditors comprises five members, including three outside corporate auditors who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting.

Each corporate auditor takes such steps as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the representative directors, periodically receiving reports from directors and others regarding business execution, and actively exchanging information with the Auditing Office. Through these activities, the corporate auditors audit the work of the directors. In addition, the corporate auditors actively exchange information with the independent auditors to maintain close ties with them with respect to financial audits.

## Strengthening Corporate Governance

Seven & i Holdings appoints outside directors and outside corporate auditors to enhance its management oversight function

Corporate Governance System




(as of May 24, 2012)

and increase transparency. All of the outside directors and outside corporate auditors are independent from the Company.

These outside directors and outside corporate auditors hold periodic meetings, as necessary, with the Board of Directors, representative directors, and individual directors to exchange opinions regarding such matters as the Group's management and corporate governance. In addition, the Company assigns employees to assist the outside directors and the outside corporate auditors. The Company has established a support system that facilitates smooth information exchange and close interaction with the inside directors and inside corporate auditors.

Furthermore, to strengthen corporate governance from an organizational perspective, the Company has established the CSR Management Committee, the Risk Management Committee, the Information Management Committee, and the Group Synergy Committee under the representative directors. Each committee works with the operating companies to determine and disseminate the Group's policies.

## Reinforcing Internal Control Systems

Seven & i Holdings has worked to enhance its internal control systems to achieve the required conditions of internal control: (1) operational effectiveness and efficiency; (2) reliability in financial reporting; (3) strict compliance with laws and regulations in operating activities; and (4) appropriate preservation of assets.

The Board of Directors responded to the enforcement of the Corporate Law of Japan in May 2006 by passing a resolution concerning the Company's "Basic Policy on Internal Control Systems." The Board of Directors continually monitors the establishment of various rules as well as the status of risk management. In February 2009, as one facet of initiatives implemented in response to the introduction of the internal control reporting system under the Financial Instruments and Exchange Law, the Company formulated a set of "Rules for Establishing Internal Control Concerning Financial Reporting."

Up to February 2009, as an independent department responsible for internal auditing, the Auditing Office served an oversight function involving verification and guidance provision for the internal auditing of the major operating companies as well as an internal auditing function involving auditing of the holding company, Seven & i Holdings. Through this reorganization, the Company consolidated these functions under the operational auditing director, and the Company established the position of internal control evaluation director. The internal control evaluation director implements evaluations of internal control concerning financial reporting for the Group as a whole.

In addition to system enhancement, the Company is also taking steps to ensure that awareness of internal control permeates the Company. To that end, the Company is distributing an Internal Control Handbook to all employees throughout the Group and is striving to maintain accuracy and enhance operating efficiency.

## Main Activities of Outside Directors and Outside Corporate Auditors

The outside directors expressed their opinions—mainly from the perspective of management and administration for Mr. Shimizu, management and administration and corporate social responsibility for Mr. Davis, and organizational and management theory for Mr. Nonaka—and gave advice and made proposals to ensure the suitability and appropriateness of the Board's decision making.

The outside corporate auditors asked questions and expressed their opinions as appropriate—mainly from a legal perspective for Ms. Suzuki, a corporate governance perspective for Ms. Suto, and a finance and an accounting perspective for Mr. Fujinuma.

## Basic Approach to Compensation of Directors and Corporate Auditors

In regard to the compensation of directors and corporate auditors, the Company emphasizes compensation that is linked with financial results and enterprise value. To further increase motivation and the desire to contribute to improved financial results and increased enterprise value, and to secure highly capable human resources who will support enhanced corporate governance through appropriate supervision and auditing of operational execution, the Company provides compensation levels and compensation systems that are appropriate to responsibilities.

## Compliance

Each of the Group's major operating companies has established a Corporate Ethics Committee with the aim of cultivating awareness among employees of the Seven & i Holdings Corporate Action Guidelines and compliance with applicable laws and regulations. The Seven & i Holdings Corporate Action Guidelines were revised in September 2011 in line with changes in the Group's fields of business and operating environment. In addition, each operating company formulated Principles for Action Guidelines and specified standards for the actions of employees. Moreover, the personnel responsible for the operating companies' Corporate Ethics Committees participate in the Seven & i Holdings Corporate Ethics and Culture Subcommittee.

### Attendance at Meetings of the Board of Directors and the Board of Corporate Auditors

Outside Directors

| Name | Principal occupation outside the Company | Attendance at meetings of Board of Directors |
|---|---|---|
| Noritaka Shimizu | Outside Corporate Auditor | 13 of 13 meetings |
| Scott Trevor Davis | Academic | 12 of 13 meetings |
| Ikujiro Nonaka | Academic | 12 of 13 meetings |

Outside Corporate Auditors

| Name | Principal occupation outside the Company | Attendance at meetings of Board of Directors | Attendance at meetings of Board of Corporate Auditors |
|---|---|---|---|
| Yoko Suzuki | Lawyer | 13 of 13 meetings | 16 of 16 meetings |
| Megumi Suto | Academic | 12 of 13 meetings | 15 of 16 meetings |
| Tsuguoki Fujinuma | Certified Public Accountant | 13 of 13 meetings | 16 of 16 meetings |

### Amounts of Compensation for Directors and Corporate Auditors in the Fiscal Year under Review

| Classification of directors / corporate auditors | Number of eligible directors / corporate auditors | Total amount of compensation (¥ Million) | Total amount of compensation, etc., by type (¥ Million) | | |
|---|---|---|---|---|---|
| | | | Fixed compensation | Results-linked compensation | |
| | | | | Bonus | Stock options for stock-linked compensation |
| Directors (excluding outside directors) | 14 | 236 | 145 | 41 | 48 |
| Outside directors | 3 | 31 | 31 | — | — |
| Corporate auditors (excluding outside corporate auditors) | 2 | 40 | 40 | — | — |
| Outside corporate auditors | 3 | 28 | 28 | — | — |

(Notes)
1. Included above are two directors who retired upon the conclusion of the 6th Annual Shareholders' Meeting, held on May 26, 2011.
2. The aggregate amounts of compensation, etc., of directors shown above do not include amounts paid as salaries for employees to directors who serve concurrently as employees.
3. It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to directors shall not exceed ¥1 billion (not including amounts paid as salaries for employees) and that the annual amount of compensation paid to corporate auditors shall not exceed ¥100 million.
4. Stock options for stock-linked compensation were issued to six directors (excluding outside directors).

In this way, the Company is working to foster shared objectives and a common understanding throughout the Group and to share measures that have proved effective. Further, the operating companies' Corporate Ethics Committees analyze and verify the details of consultations from the help lines for company employees and from the Groupwide Help Line, a consultation help desk that is operated by a third-party organization for all employees of domestic consolidated subsidiaries. Through these committees, we are taking steps to improve the workplace environment, such as working to limit and prevent actions that violate the Seven & i Holdings Corporate Action Guidelines and to resolve any problems.

# Corporate Social Responsibility (CSR)

## CSR Activities—Basic Policy and Implementation Framework

The basic policy of the Group (Seven & i Holdings and its operating companies) for its business activities is to take a sincere approach in dealing with all of its stakeholders, including shareholders, customers, business partners, local communities, and employees.

To facilitate the steady implementation of this policy, the Company established three committees—the CSR Management Committee, the Risk Management Committee, and the Information Management Committee. With each committee maintaining close links with operating companies, this system has enabled us to meet responsibilities to stakeholders.

In April 2011, we established the CSR Management Department, which reports directly to the president. In September 2011, we revised the CSR management system with the establishment of the Corporate Ethics and Culture Subcommittee, Consumer Affairs and Fair Business Practices Subcommittee, and Environment Subcommittee under the CSR Management Committee. In this way, the Company has established a system that can more effectively and rapidly advance the Group's CSR activities.

## Role of the CSR Management Committee

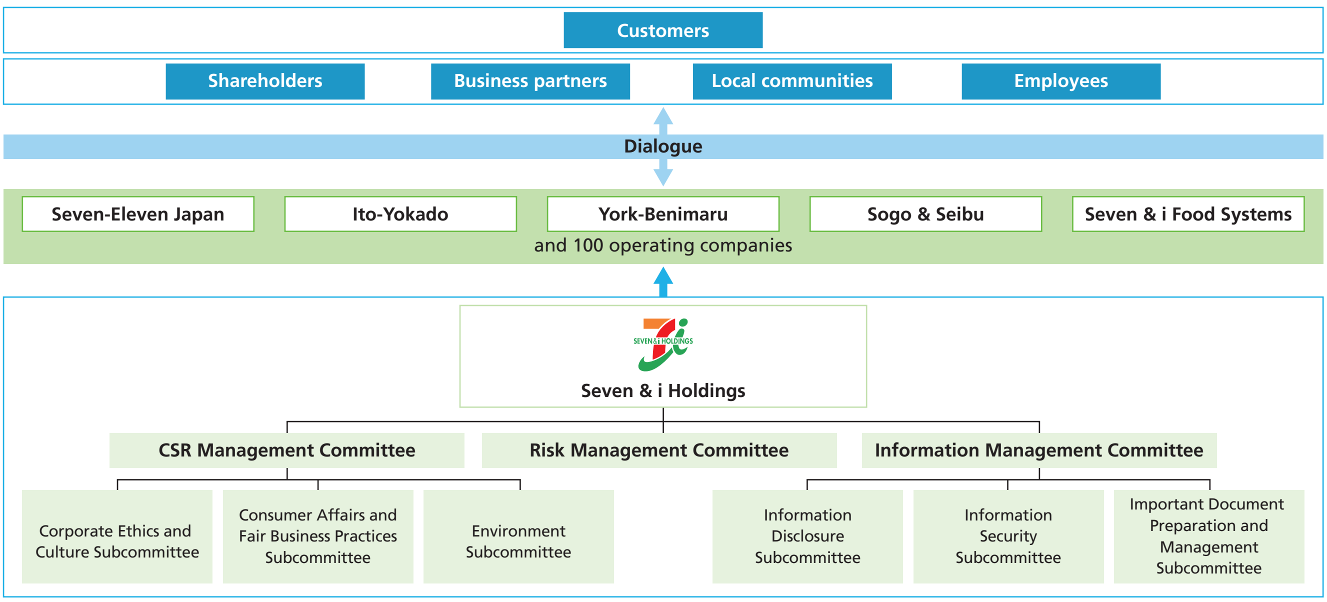
The CSR Management Committee is led by the president. The committee, which is composed of the people responsible for CSR at the core operating companies, meets once every six months. The committee's executive office duties are handled by the CSR Management Department.

The CSR Management Committee approves the annual themes of each subcommittee and provides overall management of subcommittee CSR activities. In addition, the CSR Management Committee receives reports on the activities of subcommittees and provides guidance and advice.

The subcommittees analyze the CSR activities of operating companies, classify problems and assign priorities, formulate specific countermeasures and objectives for each problem, and verify results.

### Overview of each subcommittee

| | Major themes / objectives |
|---|---|
| Corporate Ethics and Culture Subcommittee | 1. Promote understanding of Seven & i Holdings Corporate Action Guidelines, which were revised in 2011<br>2. Implement CSR training for employees<br>3. Promote CSR activities at suppliers<br>4. Analyze help line consultation details and use results of analysis to improve workplace environments<br>5. Foster workplace environments that reflect respect for employee diversity and enable employees to continue working with peace of mind |
| Consumer Affairs and Fair Business Practices Subcommittee | 1. Ensure the quality and safety of products and services<br>2. Provide appropriate information about products and services<br>3. Improve handling of customer inquiries<br>4. Ensure fairness and transparency in relationships with suppliers |
| Environment Subcommittee | 1. Implement appropriate tracking of Groupwide $CO_2$ emissions<br>2. Promote reduction of $CO_2$ emissions throughout the supply chain, including suppliers<br>3. Prioritize initiatives targeting $CO_2$ emission reductions<br>4. Promote efficient Groupwide $CO_2$ emission reductions<br>5. Promote waste reduction, implementation of waste reduction measures from the product development stage<br>6. Promote food recycling on a Groupwide basis, promote reuse and resource recovery of construction materials<br>7. Support conservation of biodiversity<br>8. Foster environmental awareness among employees |



## Stakeholder Engagement

To maintain the trust of its wide range of stakeholders, the Group must continually work to appropriately understand and respond to their interests and concerns regarding society and the Group. Accordingly, the Group is striving to engage in dialogue with stakeholders in order to ensure that the Group's decision-making process reflects their feedback, including their opinions, needs, areas of dissatisfaction, and complaints.

## Inclusion in SRI Indices

In recent years, there has been growing interest in socially responsible investment (SRI) in which important assessment factors include not only financial areas but also non-financial areas, such as the environmental, governance, and social aspects of a company.

For two consecutive years—2010 and 2011—the Company has been selected for inclusion in the Dow Jones Sustainability World Index (DJSI World)[*1], one of the world's leading SRI indices. In addition, the Company has been selected as a member company of Ethibel EXCELLENCE and the Ethibel Sustainability Index Excellence Global, from Forum ETHIBEL[*2], of Belgium, and Morningstar's MS-SRI[*3].

*1. An SRI stock price index developed jointly by U.S.-based Dow Jones and Switzerland-based Sustainability Asset Management (SAM), an SRI ratings company. About 2,500 companies around the world are evaluated from a comprehensive perspective incorporating non-financial factors.

*2. Forum Ethibel is a Belgian-based non-profit organization for the promotion of socially responsible investing.

*3. Japan's first domestic SRI stock price index created by Morningstar comprised of 150 companies listed in Japan, which are selected for their superior social responsibility.

(as of the end of June 2012)

## Disclosure

Detailed information about the Company's CSR activities is provided in CSR Report 2011. This report is available, in English and Japanese, at our website:
www.7andi.com/en/csr/csrreport.html

## CSR Topics
### Always Close By Customers—Seven & i Group Initiatives

**York-Benimaru: Opened Tohoku's largest indoor amusement facility, PEP Kids Koriyama**

On December 23, 2011, the *Koriyama-City Genkina Asobi no Hiroba* was opened in a cooperative initiative between Koriyama City and York-Benimaru. Children in the Tohoku region have had limited opportunities to play outside following the nuclear power plant accident caused by the Great East Japan Earthquake. However, this new facility enables these children to enjoy vigorous exercise. York-Benimaru provided support for this facility in accordance with the concept of protecting the children throughout the local area. York-Benimaru and Life Foods donated the land and building at no cost. After the site was cleaned up, a full-scale remodeling was completed. The facility can be used at no charge by elementary school and pre-school children and by their parents.

**Ito-Yokado: Received METI Minister's Award for safety and security initiatives**

In November 2011, in the Best Contributors to Product Safety Awards, which are sponsored by METI, Ito-Yokado was the first superstore to receive the METI Minister's Award. Ito-Yokado's efforts to contribute to the establishment of a product safety culture were highly evaluated. These included (1) formulation and implementation of original quality standards, (2) ensuring the safety of private-brand products, and (3) implementation of lectures for Group companies and suppliers.

# Financial Section

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# Consolidated Financial Summary

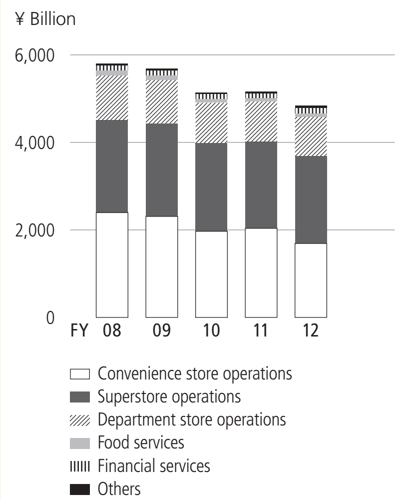
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2012, and February 28, 2011 and 2010

| | 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 |

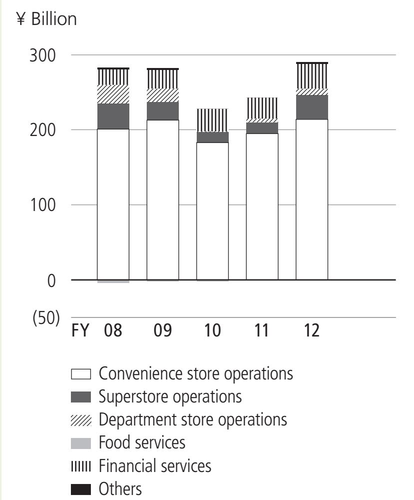
| | Yen | | | U.S. dollars (Note A) |
|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 |
| **Per share information:** | | | | |
| Net income (Basic) | ¥146.96 | ¥126.21 | ¥49.67 | $1.81 |
| Net income (Diluted) | 146.88 | 126.15 | 49.66 | 1.81 |
| Cash dividends | 62.00 | 57.00 | 56.00 | 0.76 |
| **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.

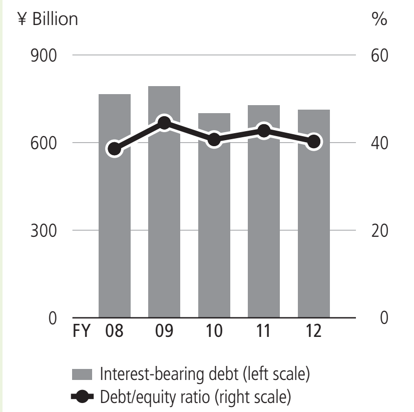
## Revenues from Operations by Business Segment




## 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

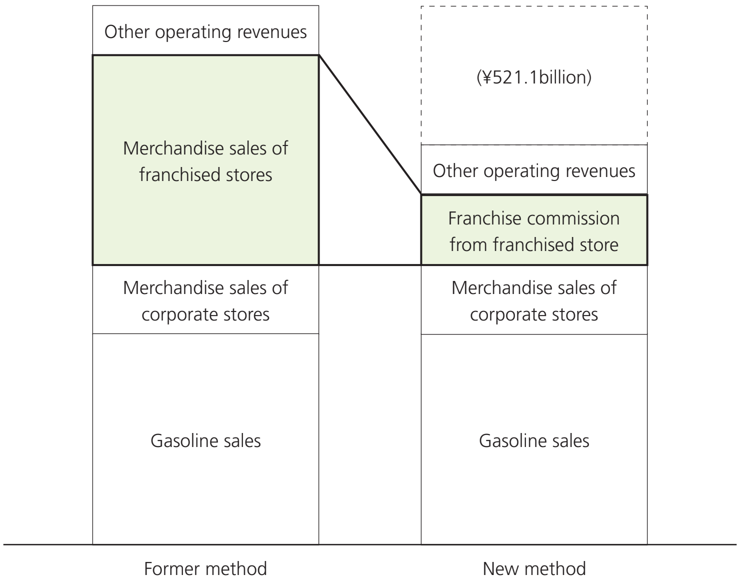
In the fiscal year ended February 29, 2012, Seven & i Holdings ("the Company") recorded revenues from operations of ¥4,786.3 billion, a decrease of ¥333.3 billion year on year. This decline was due in large part to a change in accounting method applied at 7-Eleven, Inc. (SEI), which had the effect of 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

FINANCIAL SECTION

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 | 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<br>Osaka Pref. 46 stores<br>Others (including U.S.) | | |
| Stores (Superstores) | Land and buildings, etc. | Tokyo Met. 14 stores<br>Saitama Pref. 12 stores<br>Others 27 stores | ¥13,721 | $169,395 |
| Stores (Department stores) | Land and buildings, etc. | Shizuoka Pref. 1 store<br>Others 1 store | | |
| Stores (Food services) | Land and buildings, etc. | Tokyo Met. & others 38 stores | | |
| Other facilities, etc. | Land and buildings, etc. | Fukushima Pref.<br>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<br>Osaka Pref. 29 stores<br>Others (including U.S.) | |
| Stores (Superstores) | Land and buildings, etc. | Saitama Pref. 7 stores<br>Tokyo Met. 4 stores<br>Others 16 stores | ¥20,200 |
| Stores (Department stores) | Land and buildings, etc. | Chiba Pref. 1 store<br>Others 4 stores | |
| Stores (Food services) | Land and buildings, etc. | Tokyo Met. & others 43 stores | |
| Other facilities, etc. | Land and buildings, etc. | Fukushima Pref.<br>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.

FINANCIAL SECTION

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23

### (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

# Financial Summary of Principal Group Companies

Non-consolidated basis

## SEVEN-ELEVEN JAPAN CO., LTD.

| | Millions of yen | | |
|---|---|---|---|
| FOR THE FISCAL YEARS ENDED FEBRUARY 28 or 29 | 2012 | 2011 | 2010 |
| Revenues from operations | ¥ 576,186 | ¥ 549,111 | ¥ 535,018 |
| Operating income | 183,160 | 169,152 | 156,220 |
| Net income | 100,738 | 102,049 | 92,439 |
| | | | |
| Total store sales | ¥3,280,512 | ¥2,947,606 | ¥2,784,997 |
| Existing stores sales increase (decrease) (%) | 6.7 | 2.2 | (2.1) |
| Merchandise gross profit margin (%) | 29.7 | 30.5 | 30.3 |
| Average daily sales per store (thousands of yen) | 669 | 629 | 616 |
| Number of stores | 14,005 | 13,232 | 12,753 |

## 7-ELEVEN, INC.

| | Millions of yen | | |
|---|---|---|---|
| FOR THE FISCAL YEARS ENDED DECEMBER 31 | 2011 | 2010 | 2009 |
| Revenues from operations | ¥1,086,522 | ¥ — | ¥ — |
| Operating income | 32,737 | 33,328 | 34,427 |
| Net income | 22,413 | 18,918 | 17,975 |
| | | | |
| Total store sales | ¥1,624,095 | ¥1,470,632 | ¥1,412,301 |
| Merchandise | 876,672 | 883,905 | 899,624 |
| Gasoline | 747,423 | 586,726 | 512,677 |
| Existing stores sales increase (U.S. merchandise sales) (%) | 2.8 | 1.5 | 0.6 |
| Merchandise gross profit margin (%) | 34.7 | 35.1 | 35.2 |
| Number of stores | 7,149 | 6,610 | 6,389 |

Notes: (A) Yen amounts were translated from U.S. dollars at the rate of US$1=¥79.80, ¥87.79, and ¥93.65, the rate of exchange for 2011, 2010, and 2009, respectively.
(B) The amounts for each fiscal year reflect adjustments necessary for the creation of Seven & i Holdings' consolidated accounts.
(C) From the fiscal year ended December 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchised agreements, from "gross amount" to "net amount."

## ITO-YOKADO CO., LTD.

| | Millions of yen | | |
|---|---|---|---|
| FOR THE FISCAL YEARS ENDED FEBRUARY 28 or 29 | 2012 | 2011 | 2010 |
| Revenues from operations | ¥1,361,060 | ¥1,373,670 | ¥1,387,831 |
| Net sales | 1,334,297 | 1,349,345 | 1,364,765 |
| Operating income | 10,554 | 2,155 | 1,757 |
| Net income (loss) | (520) | 6,696 | 6,650 |
| | | | |
| Existing stores sales increase (decrease) (%) | (2.6) | (2.5) | (5.7) |
| Merchandise gross profit margin (%) | 29.7 | 29.1 | 29.0 |
| Number of stores | 173 | 170 | 174 |

## YORK-BENIMARU CO., LTD.

| | Millions of yen | | |
|---|---|---|---|
| FOR THE FISCAL YEARS ENDED FEBRUARY 28 or 29 | 2012 | 2011 | 2010 |
| Revenues from operations | ¥348,600 | ¥343,379 | ¥348,735 |
| Net sales | 342,944 | 337,734 | 337,506 |
| Operating income | 14,955 | 8,877 | 9,402 |
| Net income | 1,430 | 5,093 | 6,088 |
| | | | |
| Existing stores sales increase (decrease) (%) | 1.5 | (4.1) | (3.7) |
| Merchandise gross profit margin (%) | 27.0 | 26.6 | 26.7 |
| Number of stores | 176 | 170 | 164 |

## SOGO & SEIBU CO., LTD.

| FOR THE FISCAL YEARS ENDED FEBRUARY 28 or 29 | Millions of yen 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues from operations | ¥830,340 | ¥846,796 | ¥859,265 |
| Net sales | 817,927 | 834,723 | 847,044 |
| Operating income | 11,159 | 7,385 | 5,613 |
| Net income (loss) | 9,964 | 5,831 | (4,313) |
| | | | |
| Existing stores sales increase (decrease) (%) | (0.5) | 0.0 | (8.4) |
| Merchandise gross profit margin (%) | 25.1 | 25.4 | 25.8 |
| Number of stores | 26 | 27 | 28 |

## SEVEN & i FOOD SYSTEMS CO., LTD.

| FOR THE FISCAL YEARS ENDED FEBRUARY 28 or 29 | Millions of yen 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues from operations | ¥77,940 | ¥80,167 | ¥86,400 |
| Net sales | 77,400 | 79,609 | 85,885 |
| Operating income (loss) | 22 | (89) | (2,714) |
| Net loss | (879) | (2,009) | (5,564) |
| | | | |
| (Restaurant division) | | | |
| Existing stores sales increase (decrease) (%) | (1.0) | 0.5 | (7.2) |
| Merchandise gross profit margin (%) | 68.3 | 68.3 | 67.3 |
| Number of stores | 486 | 489 | 525 |

## SEVEN BANK, LTD.

| FOR THE FISCAL YEARS ENDED MARCH 31 | Millions of yen 2012 | 2011 | 2010 |
|---|---|---|---|
| Ordinary income | ¥88,318 | ¥83,964 | ¥88,830 |
| Ordinary profit | 29,557 | 27,449 | 30,407 |
| Net income | 17,267 | 16,008 | 17,953 |
| | | | |
| Daily average transactions per ATM | 112.6 | 112.3 | 114.4 |
| Total number of transactions (millions) | 655 | 609 | 590 |
| Number of installed ATMs | 16,632 | 15,363 | 14,601 |

# Board of Directors, Corporate Auditors, and Executive Officers

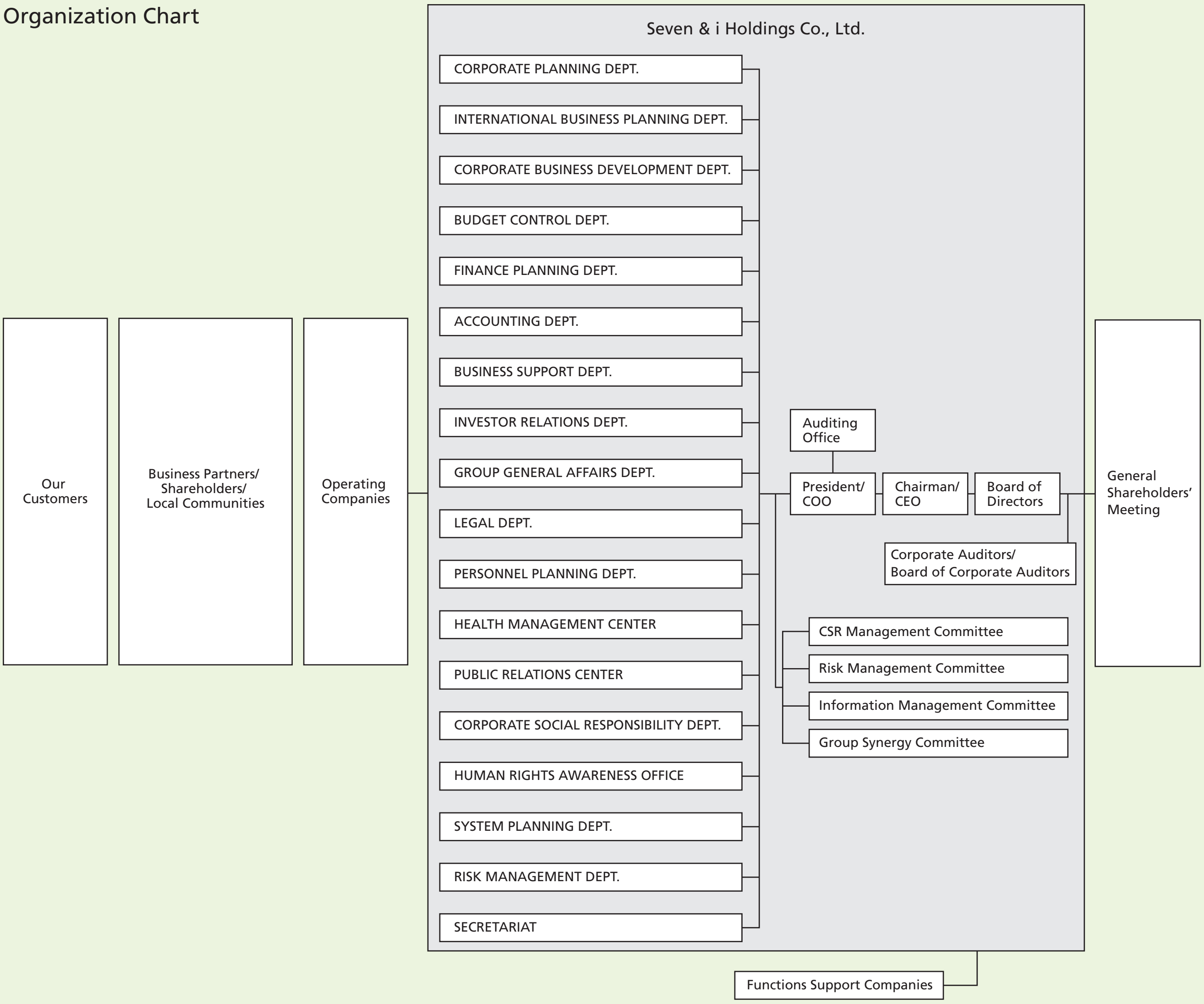
As of May 24, 2012

| BOARD OF DIRECTORS | | AREA OF RESPONSIBILITY AND IMPORTANT CONCURRENT POSITIONS |
|---|---|---|
| Representative Director and Chairman | Toshifumi Suzuki | Chief Executive Officer (CEO) |
| | | Representative Director and Chairman and Chief Executive Officer (CEO) of Seven-Eleven Japan Co., Ltd. |
| | | Representative Director and Chairman and Chief Executive Officer (CEO) of Ito-Yokado Co., Ltd. |
| | | Representative Director and Chairman of 7-Eleven, Inc. |
| | | Representative Director and Chairman of SEVEN-ELEVEN (HAWAII), INC. |
| Representative Director and President | Noritoshi Murata | Chief Operating Officer (COO) |
| | Katsuhiro Goto | Chief Administrative Officer (CAO) |
| | | Managing Executive Officer |
| | | Representative Director and President of Seven & i Netmedia Co., Ltd. |
| | | Director of Ito-Yokado Co., Ltd. |
| | | Director of Sogo & Seibu Co., Ltd. |
| | Tsuyoshi Kobayashi | Executive Officer |
| | | Senior Officer of the Corporate Planning Department |
| | | Senior Officer of the International Business Planning Department |
| | | Senior Officer of the Corporate Business Development Department |
| | Junro Ito | Executive Officer |
| | | Senior Officer of the Corporate Social Responsibility Department |
| | Kunio Takahashi | Chief Financial Officer (CFO), Executive Officer |
| | | Senior Officer of the Finance Planning Department |
| | | Representative Director and President of Seven & i Asset Management Co., Ltd. |
| | | Representative Director and President of Seven & i Financial Center Co., Ltd. |
| | Akihiko Shimizu | Executive Officer |
| | | Senior Officer of the Accounting Department |
| | Atsushi Kamei | Representative Director and President and Chief Operating Officer (COO) of Ito-Yokado Co., Ltd. |
| | | Director of Sogo & Seibu Co., Ltd. |
| | Ryuichi Isaka | Representative Director and President and Chief Operating Officer (COO) of Seven-Eleven Japan Co., Ltd. |
| | | Director of 7-Eleven, Inc. |
| | Kunio Yamashita | Representative Director and President of Sogo & Seibu Co., Ltd. |
| | Takashi Anzai | Representative Director and Chairman of Seven Bank, Ltd. |
| | Zenko Ohtaka | Representative Director and President and Chief Operating Officer (COO) of York-Benimaru Co., Ltd. |
| | Tsuneo Okubo | Representative Director and President of Seven & i Food Systems Co., Ltd. |
| Outside Director | Noritaka Shimizu | |
| Outside Director | Scott Trevor Davis | Professor of the Department of Global Business, College of Business, Rikkyo University |
| Outside Director | Ikujiro Nonaka | Xerox Distinguished Professor in Knowledge, Haas School of Business, University of California, Berkeley |
| | | Emeritus Professor of Hitotsubashi University |
| | | Emeritus Scholar of The Drucker School, Claremont Graduate University |

| CORPORATE AUDITORS | | AREA OF RESPONSIBILITY, AND IMPORTANT CONCURRENT POSITIONS |
|---|---|---|
| Standing Corporate Auditor | Hisashi Seki | Corporate Auditor of Seven-Eleven Japan Co., Ltd. |
| Standing Corporate Auditor | Hideo Nomura | Standing Corporate Auditor of Ito-Yokado Co., Ltd. |
| Outside Corporate Auditor | Yoko Suzuki | Attorney at Law |
| Outside Corporate Auditor | Megumi Suto | Dean of the Waseda Graduate School of Finance, Accounting and Law |
| | | Director of the Waseda Center for Finance Research |
| Outside Corporate Auditor | Tsuguoki Fujinuma | Certified Public Accountant |

| EXECUTIVE OFFICERS | | AREA OF RESPONSIBILITY |
|---|---|---|
| Chief Executive Officer (CEO) | Toshifumi Suzuki | |
| Chief Operating Officer (COO) | Noritoshi Murata | |
| Chief Administrative Officer (CAO)<br>Managing Executive Officer | Katsuhiro Goto | |
| | Tsuyoshi Kobayashi | |
| | Junro Ito | |
| Chief Financial Officer (CFO) | Kunio Takahashi | |
| | Akihiko Shimizu | |
| | Masao Eguchi | Senior Officer of Business Support Department |
| | Yoshihiro Tanaka | Senior Officer of Budget Control Department |
| | Yasuo Takaha | Senior Officer of Public Relations Center |
| | Masataka Tosaya | Senior Officer of Personnel Planning Department |
| | Akira Miyakawa | Assistant to President |
| | Kazuyo Sohda | Senior Officer of Health Management Center |
| | Seiichiro Sato | Senior Officer of Group General Affairs Department |
| | Shinobu Matsumoto | Senior Officer of Investor Relations Department |
| | Hisataka Noguchi | Senior Officer of Legal Department |
| | Kimiyoshi Yamaguchi | Senior Officer of Public Relations Center |

## Organization Chart



# Principal Subsidiaries

As of May 31, 2012

| Convenience Store Operations | Equity Ownership[1] (%) |
|---|---|
| Seven-Eleven Japan Co., Ltd. | (100.0) |
| 7-Eleven, Inc. | (100.0) |
| SEVEN-ELEVEN CHINA Co., Ltd. | (100.0) |
| SEVEN-ELEVEN (BEIJING) CO., LTD. | (65.0) |
| SEVEN-ELEVEN (CHENGDU) Co., Ltd. | (100.0) |
| SEVEN-ELEVEN (HAWAII), INC. | (100.0) |

| Superstore Operations | Equity Ownership[1] (%) |
|---|---|
| Ito-Yokado Co., Ltd. | (100.0) |
| York-Benimaru Co., Ltd. | (100.0) |
| York Mart Co., Ltd. | (100.0) |
| Hua Tang Yokado Commercial Co., Ltd. | (75.8) |
| Chengdu Ito-Yokado Co., Ltd. | (74.0) |
| Beijing Wang fu jing Yokado Commercial Co., Ltd. | (60.0) |
| Marudai Co., Ltd. | (100.0) |
| Life Foods Co., Ltd. | (100.0) |
| IY Foods K.K. | (100.0) |
| K.K. Sanei | (100.0) |
| Akachan Honpo Co., Ltd. | (93.7) |
| Oshman's Japan Co., Ltd. | (100.0) |
| Mary Ann Co., Ltd. | (100.0) |
| Seven Bi no Garden Co., LTD.[2] | (93.1) |

| Department Store Operations | Equity Ownership[1] (%) |
|---|---|
| Sogo & Seibu Co., Ltd. | (100.0) |
| THE LOFT CO., LTD. | (70.7) |
| SHELL GARDEN CO., LTD. | (100.0) |
| IKEBUKURO SHOPPING PARK CO., LTD. | (65.2) |
| Yatsugatake Kogen Lodge Co., Ltd. | (100.0) |
| GOTTSUO BIN CO., LTD. | (100.0) |

| Food Services | Equity Ownership[1] (%) |
|---|---|
| Seven & i Food Systems Co., Ltd. | (100.0) |
| Seven & i Restaurant (Beijing) Co., Ltd. | (75.0) |

| Financial Services | Equity Ownership[1] (%) |
|---|---|
| Seven Bank, Ltd. | (45.8) |
| Seven Financial Service Co., Ltd.[3, 4] | (100.0) |
| Seven Card Service Co., Ltd. | (95.5) |
| Seven CS Card Service Co., Ltd.[5] | (51.0) |
| SEVEN & i Financial Center Co., Ltd. | (100.0) |

| Others | Equity Ownership[1] (%) |
|---|---|
| Seven & i Netmedia Co., Ltd. | (100.0) |
| Seven Net Shopping Co., Ltd. | (77.9) |
| 7dream.com | (68.0) |
| Seven Culture Network Co., Ltd. | (100.0) |
| SEVEN & i Publishing Co., Ltd. | (100.0) |
| Seven Internet Lab. Co., Ltd. | (70.0) |
| Seven-Meal Service Co., Ltd. | (90.0) |
| SEVEN & i Life Design Institute Co., Ltd. | (100.0) |
| K.K. Terre Verte | (99.0) |
| Seven & i Asset Management Co., Ltd. | (100.0) |
| Mall & SC Development Inc. | (100.0) |
| IY Real Estate Co., Ltd. | (100.0) |
| K.K. York Keibi | (100.0) |

Notes:
1. Ownership ratios include indirect holdings.
2. On May 1, 2012, Seven Health Care Co., Ltd. changed its name to Seven Bi no Garden Co., LTD.
3. On March 1, 2011, SEVEN & i FINANCIAL GROUP CO., LTD., SE CAPITAL CORPORATION, and Seven Cash Works Co., Ltd. were merged, with SE CAPITAL CORPORATION as the surviving company, taking the name Seven Financial Service Co., Ltd.
4. On March 1, 2012, Seven Financial Service Co., Ltd., as the surviving company, and K.K. York Insurance were merged.
5. On April 1, 2011, Seven CS Card Service Co., Ltd. became a consolidated subsidiary of the Company.

# Investor Information

As of February 29, 2012

## Head Office

8-8, Nibancho, Chiyoda-ku, Tokyo 102-8452, Japan
Tel: +81-3-6238-3000
Fax: +81-3-3263-0232
URL: www.7andi.com/en/

## Date of Establishment

September 1, 2005

## Number of Employees

51,888 (Consolidated)
410 (Non-consolidated)

## Paid-in Capital

¥50,000 million

## Number of Common Stock

Issued: 886,441,983 shares

## Number of Shareholders

93,467

## Stock Listing

Tokyo Stock Exchange

## Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome,
Koto-ku, Tokyo 137-8081, Japan

## Annual Shareholders' Meeting

The annual shareholders' meeting of the Company is normally held in May each year in Tokyo, Japan.

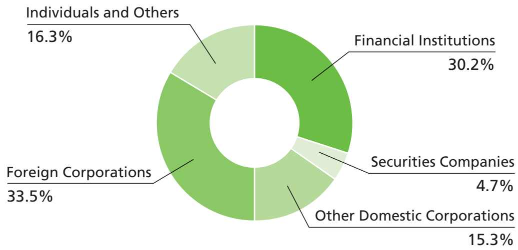
## Auditors

KPMG AZSA LLC

## Principal Shareholders

| | Investment by each major shareholder in the Company | |
|---|---|---|
| | Number of shares held (Thousand shares) | Percentage of shares held |
| Ito-Kogyo Co., Ltd. | 68,901 | 7.8% |
| Japan Trustee Services Bank, Ltd. (Trust account) | 41,623 | 4.7% |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 34,887 | 3.9% |
| Nippon Life Insurance Company | 20,664 | 2.3% |
| SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS | 18,280 | 2.1% |
| Masatoshi Ito | 16,801 | 1.9% |
| MITSUI & CO., LTD. | 16,222 | 1.8% |
| State Street Bank and Trust Company 505225 | 14,866 | 1.7% |
| The Dai-ichi Life Insurance Company, Limited | 13,777 | 1.6% |
| Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension | 13,123 | 1.5% |

## Classification of Shareholders by Number of Shares Held



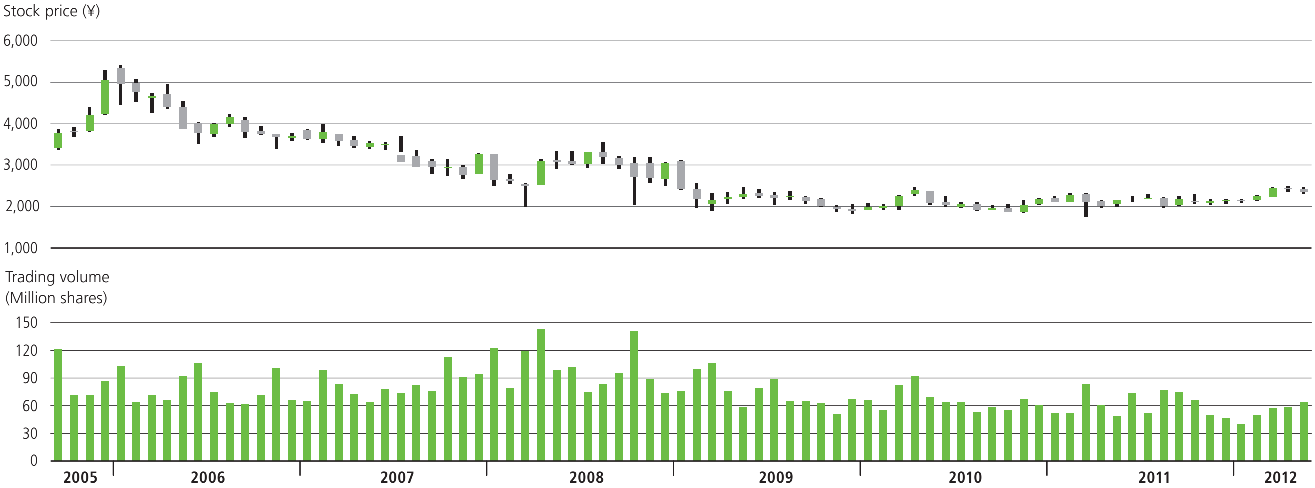

## Bond Ratings

(as of May 31, 2012)

| | | S&P | Moody's | R&I | JCR |
|---|---|---|---|---|---|
| Seven & i Holdings | Long-term | AA– | Aa3 | AA | AA+ |
| Seven-Eleven Japan | Long-term | AA– | – | – | AA+ |
| | Short-term | A-1+ | P-1 | – | – |
| 7-Eleven, Inc. | Long-term | AA– | Baa1 | – | – |
| Seven Bank | Long-term | AA– | – | AA | – |

Note: From January 2006, Seven-Eleven Japan's short-term rating is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program.

## Stock Price Chart (Monthly)



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