CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2017, February 28, 2018 and February 28, 2019

			Millions of yen	Thousands of U.S. dollars (Note A)
	2017	2018	2019	2019
For the fiscal year:				
Revenues from operations	¥5,835,689	¥6,037,815	¥6,791,215	$61,182,117
Operating income	364,573	391,657	411,596	3,708,072
Income before income taxes	217,569	276,320	317,411	2,859,558
Net income attributable to owners of parent	96,750	181,150	203,004	1,828,864
Capital expenditures (Note B)	384,119	347,374	539,328	4,858,810
Depreciation and amortization (Note C)	207,483	213,167	221,133	1,992,189
At fiscal year-end:				
Total assets	¥5,508,888	¥5,494,950	¥5,795,302	$52,209,927
Cash and cash equivalents	1,209,497	1,300,383	1,303,610	11,744,234
Total current assets	2,274,403	2,340,207	2,353,042	21,198,576
Total current liabilities	1,947,618	1,944,007	1,992,795	17,953,108
Long-term debt	812,176	720,683	829,344	7,471,567
Total net assets	2,475,806	2,575,342	2,672,486	24,076,450

			Yen	U.S. dollars (Note A)
	2017	2018	2019	2019
Per share data:				
Net income per share (basic)	¥109.42	¥204.80	¥229.50	$2.06
Net income per share (diluted)	109.31	204.63	229.31	2.06
Cash dividends	90.00	90.00	95.00	0.85
Financial ratios:				
Operating income ratio (Note D)	6.2%	6.5%	6.1%	6.1%
Ratio of net income attributable to owners of parent (to net sales) (Note D)	1.7%	3.0%	3.0%	3.0%
ROE	4.1%	7.6%	8.2%	8.2%
ROA	1.8%	3.3%	3.6%	3.6%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111=U.S.$1, the approximate rate of exchange prevailing on February 28, 2019.

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

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

(D) Revenues from operations are used as the denominator for the operating income ratio and the ratio of net income attributable to owners of parent (to net sales).

CONSOLIDATED BALANCE SHEETS

Seven & i Holdings Co., Ltd. at February 28, 2017, 2018 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	¥1,209,497	¥1,300,383	¥1,303,610	$11,744,234
Notes and accounts receivable:				
Trade (Note 4)	347,838	337,938	336,070	3,027,657
Financial services	91,052	95,482	101,490	914,324
Franchisees and other	149,451	149,728	157,993	1,423,360
Allowance for doubtful accounts (Note 4)	(4,983)	(5,441)	(5,747)	(51,774)
	583,359	577,708	589,806	5,313,567
Inventories	192,463	176,988	181,021	1,630,819
ATM-related temporary payments	98,710	96,826	95,694	862,108
Deferred income taxes (Note 10)	30,239	27,981	26,582	239,477
Prepaid expenses and other current assets (Note 4)	160,131	160,319	156,325	1,408,333
Total current assets	2,274,403	2,340,207	2,353,042	21,198,576
Property and equipment, at cost (Notes 7, 8, 13 and 18)	3,869,243	3,884,211	3,994,586	35,987,261
Less: Accumulated depreciation	(1,861,414)	(1,894,756)	(1,875,955)	(16,900,495)
	2,007,829	1,989,455	2,118,630	19,086,756
Intangible assets:				
Goodwill	270,055	251,233	371,969	3,351,072
Software and other (Notes 8 and 13)	225,880	210,733	236,518	2,130,792
	495,935	461,966	608,487	5,481,864
Investments and other assets:				
Investments in securities (Notes 4, 5 and 18)	188,162	175,856	191,985	1,729,594
Long-term loans receivable	15,315	14,794	14,415	129,864
Long-term leasehold deposits (Notes 4 and 18)	396,707	383,276	372,348	3,354,486
Net defined benefit asset (Note 11)	44,628	45,620	43,666	393,387
Deferred income taxes (Note 10)	25,261	28,375	31,079	279,990
Other	64,454	58,891	64,528	581,333
Allowance for doubtful accounts (Note 4)	(3,808)	(3,493)	(2,881)	(25,954)
	730,720	703,320	715,142	6,442,720
Total assets	¥5,508,888	¥5,494,950	¥5,795,302	$52,209,927

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 12 and 18)	¥150,376	¥127,255	¥143,160	$1,289,729
Current portion of long-term debt (Notes 4, 12 and 18)	130,758	173,816	172,154	1,550,936
Notes and accounts payable:				
Trade (Notes 4 and 6)	247,515	244,696	231,999	2,090,081
Trade for franchised stores (Notes 4 and 19)	167,833	175,315	179,603	1,618,045
Other	177,326	197,888	187,977	1,693,486
	592,675	617,900	599,579	5,401,612
Accrued expenses	131,871	117,362	128,802	1,160,378
Income taxes payable	34,462	32,211	42,642	384,162
Deposits received	188,798	174,382	174,043	1,567,954
ATM-related temporary advances	46,072	45,165	43,530	392,162
Deposits received in banking business (Note 4)	538,815	553,522	588,395	5,300,855
Allowance for bonuses to employees	14,159	14,662	13,829	124,585
Allowance for sales promotion expenses	21,409	19,793	19,467	175,378
Allowance for loss on future collection of gift certificates	1,807	1,590	1,296	11,675
Provision for sales returns	77	89	98	882
Call money	20,000	–	–	–
Other (Notes 4,10 and 14)	76,333	66,253	65,794	592,738
Total current liabilities	1,947,618	1,944,007	1,992,795	17,953,108
Long-term debt (Notes 4, 6, 12 and 18)	812,176	720,683	829,344	7,471,567
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	939	988	925	8,333
Allowance for stock payments	–	95	159	1,432
Net defined benefit liability (Note 11)	9,163	9,185	7,534	67,873
Deferred income taxes (Note 10)	49,080	35,416	44,132	397,585
Deposits received from tenants and franchised stores (Notes 4 and 18)	55,327	54,806	53,145	478,783
Asset retirement obligations (Note 14)	77,640	79,412	85,971	774,513
Other liabilities	81,136	75,012	108,807	980,243
Total liabilities	3,033,082	2,919,607	3,122,816	28,133,477
Commitments and contingent liabilities (Note 18)				
Net assets (Note 16):				
Shareholders' equity:				
Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2017, 2018 and 2019	50,000	50,000	50,000	450,450
Capital surplus	409,095	409,128	409,859	3,692,423
Retained earnings	1,793,035	1,894,444	2,015,630	18,158,828
Treasury stock, at cost, 2,039,799 shares in 2017, 1,897,782 shares in 2018 and 1,873,384 shares in 2019	(5,074)	(4,731)	(4,680)	(42,162)
	2,247,056	2,348,841	2,470,808	22,259,531
Accumulated other comprehensive income (loss):				
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	28,467	27,897	26,150	235,585
Unrealized gains (losses) on hedging derivatives, net of taxes	23	(92)	(69)	(621)
Foreign currency translation adjustments	56,391	46,638	23,768	214,126
Remeasurements of defined benefit plans	4,117	3,979	737	6,639
Total accumulated other comprehensive income	89,000	78,423	50,587	455,738
Subscription rights to shares (Note 17)	2,594	2,623	2,805	25,270
Non-controlling interests	137,154	145,454	148,285	1,335,900
Total net assets	2,475,806	2,575,342	2,672,486	24,076,450
Total liabilities and net assets	¥5,508,888	¥5,494,950	¥5,795,302	$52,209,927

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

CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2017, 2018 and 2019

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Revenues from operations:				
Net sales	¥4,646,370	¥4,807,748	¥5,508,600	$49,627,027
Operating revenues (Note 20)	1,189,318	1,230,067	1,282,615	11,555,090
	5,835,689	6,037,815	6,791,215	61,182,117
Costs and expenses:				
Cost of sales	3,602,038	3,773,220	4,411,816	39,746,090
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	1,869,077	1,872,936	1,967,802	17,727,945
	5,471,116	5,646,157	6,379,618	57,474,036
Operating income	364,573	391,657	411,596	3,708,072
Other income (expenses):				
Interest and dividend income	6,446	6,994	6,111	55,054
Interest expenses and interest on bonds	(8,759)	(8,826)	(12,111)	(109,108)
Equity in earnings of affiliates	2,062	1,496	961	8,657
Impairment loss (Note 8)	(49,108)	(57,070)	(55,776)	(502,486)
Gain on sales of property and equipment (Note 20)	3,110	8,375	11,214	101,027
Gain on sales of property and equipment related to restructuring (Note 20)	376	2,663	427	3,846
Gain on sales of investments in securities	57	10	2,665	24,009
Loss on disposals of property and equipment (Note 20)	(18,369)	(20,635)	(18,956)	(170,774)
Restructuring expenses (Notes 8, 20 and 21)	(25,637)	(42,680)	(2,619)	(23,594)
Amortization of goodwill (Note 22)	(39,300)	–	(3,895)	(35,090)
Loss on sales of shares of subsidiaries	–	(1,644)	(3,320)	(29,909)
Other, net (Note 5)	(17,881)	(4,020)	(18,884)	(170,126)
	(147,003)	(115,337)	(94,184)	(848,504)
Income before income taxes	217,569	276,320	317,411	2,859,558
Income taxes (Note 10):				
Current	117,686	94,421	96,076	865,549
Deferred	(10,939)	(14,997)	8,275	74,549
	106,746	79,423	104,351	940,099
Net income	110,822	196,896	213,060	1,919,459
Net income attributable to non-controlling interests	14,072	15,746	10,056	90,594
Net income attributable to owners of parent	¥96,750	¥181,150	¥203,004	$1,828,864

			Yen	U.S. dollars (Note 3)
	2017	2018	2019	2019
Per share information:				
Net income per share (Basic)	¥109.42	¥204.80	¥229.50	$2.06
Net income per share (Diluted)	109.31	204.63	229.31	2.06
Cash dividends	90.00	90.00	95.00	0.85

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2017, 2018 and 2019

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Net income	¥110,822	¥196,896	¥213,060	$1,919,459
Other comprehensive income (loss) (Note 15):				
Unrealized gains (losses) on available-for-sale securities, net of taxes	7,738	(563)	(1,512)	(13,621)
Unrealized gains (losses) on hedging derivatives, net of taxes	(563)	(108)	15	135
Foreign currency translation adjustments	(14,915)	(10,008)	(23,298)	(209,891)
Remeasurements of defined benefit plans	13,118	(106)	(3,272)	(29,477)
Share of other comprehensive income (loss) of entities accounted for using equity method	(25)	(36)	(28)	(252)
Total other comprehensive income (loss)	5,352	(10,823)	(28,096)	(253,117)
Comprehensive income	¥116,175	¥186,072	¥184,963	$1,666,333
Comprehensive income attributable to:				
Owners of parent	¥103,034	¥170,573	¥175,167	$1,578,081
Non-controlling interests	13,140	15,499	9,795	88,243

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2017, 2018 and 2019

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2016	¥50,000	¥527,474	¥1,717,771	¥(5,688)	¥20,655	¥33	¥70,927	¥(8,900)	¥2,995	¥129,912	¥2,505,182
Cumulative effects of changes in accounting policies		(116,446)	59,221				5,900				(51,324)
Restated balance	¥50,000	¥411,028	¥1,776,993	¥(5,688)	¥20,655	¥33	¥76,827	¥(8,900)	¥2,995	¥129,912	¥2,453,857
Net income attributable to owners of parent			96,750								96,750
Cash dividends			(80,890)								(80,890)
Purchase of treasury stock				(2,276)							(2,276)
Disposal of treasury stock		132		857							989
Change in the Company's ownership interest of the subsidiary in connection with the transactions with non-controlling shareholders		(2,033)		2,033							-
Other		(31)	182	(0)							150
Net changes of items other than shareholders' equity					7,812	(10)	(20,436)	13,018	(400)	7,241	7,224
Net increase (decrease) for the year	-	(1,933)	16,042	614	7,812	(10)	(20,436)	13,018	(400)	7,241	21,948
Balance at March 1, 2017	¥50,000	¥409,095	¥1,793,035	¥(5,074)	¥28,467	¥23	¥56,391	¥4,117	¥2,594	¥137,154	¥2,475,806
Net income attributable to owners of parent			181,150								181,150
Cash dividends			(79,604)								(79,604)
Purchase of treasury stock				(25)							(25)
Disposal of treasury stock		81		368							450
Other		(49)	(136)	(0)							(185)
Net changes of items other than shareholders' equity					(570)	(115)	(9,753)	(138)	28	8,300	(2,247)
Net increase (decrease) for the year	-	32	101,409	342	(570)	(115)	(9,753)	(138)	28	8,300	99,536
Balance at March 1, 2018	¥50,000	¥409,128	¥1,894,444	¥(4,731)	¥27,897	¥(92)	¥46,638	¥3,979	¥2,623	¥145,454	¥2,575,342
Net income attributable to owners of parent			203,004								203,004
Cash dividends			(81,823)								(81,823)
Purchase of treasury stock				(20)							(20)
Disposal of treasury stock		25		71							97
Sales of investments in securities		704									704
Other		0	4	(0)							5
Net changes of items other than shareholders' equity					(1,747)	22	(22,869)	(3,241)	182	2,830	(24,823)
Net increase (decrease) for the year	-	731	121,185	51	(1,747)	22	(22,869)	(3,241)	182	2,830	97,144
Balance at February 28, 2019	¥50,000	¥409,859	¥2,015,630	¥(4,680)	¥26,150	¥(69)	¥23,768	¥737	¥2,805	¥148,285	¥2,672,486

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2018	$450,450	$3,685,837	$17,067,063	$(42,621)	$251,324	$(828)	$420,162	$35,846	$23,630	$1,310,396	$23,201,279
Net income attributable to owners of parent			1,828,864								1,828,864
Cash dividends			(737,144)								(737,144)
Purchase of treasury stock				(180)							(180)
Disposal of treasury stock		225		639							873
Sales of investments in securities		6,342									6,342
Other		0	36	(0)							45
Net changes of items other than shareholders' equity					(15,738)	198	(206,027)	(29,198)	1,639	25,495	(223,630)
Net increase (decrease) for the year	-	6,585	1,091,756	459	(15,738)	198	(206,027)	(29,198)	1,639	25,495	875,171
Balance at February 28, 2019	$450,450	$3,692,423	$18,158,828	$(42,162)	$235,585	$(621)	$214,126	$6,639	$25,270	$1,335,900	$24,076,450

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2017, 2018 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Cash flows from operating activities:				
Income before income taxes	¥217,569	¥276,320	¥317,411	$2,859,558
Depreciation and amortization	207,483	213,167	221,133	1,992,189
Impairment loss	59,719	88,879	57,368	516,828
Amortization of goodwill	55,458	16,620	27,079	243,954
Increase (decrease) in allowance for bonuses to employees	728	707	(893)	(8,045)
Decrease (increase) in net defined benefit asset	554	(938)	(3,296)	(29,693)
Interest and dividend income	(6,446)	(6,994)	(6,111)	(55,054)
Interest expenses and interest on bonds	8,759	8,826	12,111	109,108
Equity in earnings of affiliates	(2,062)	(1,496)	(961)	(8,657)
Gain on sales of property and equipment	(3,487)	(11,038)	(11,642)	(104,882)
Loss on disposals of property and equipment	18,516	20,860	18,974	170,936
Loss on sales of shares of subsidiaries	–	1,644	3,320	29,909
Gain on transfer from business divestitures	–	(1,090)	–	–
Gain on sales of investment securities	(57)	(10)	(2,665)	(24,009)
Decrease (increase) in notes and accounts receivable, trade	6,525	7,590	(7,411)	(66,765)
Increase in notes and accounts receivable, financial services	(4,175)	(4,429)	(6,008)	(54,126)
Decrease in inventories	18,438	11,186	7,159	64,495
Increase (decrease) in notes and accounts payable, trade	3,632	8,501	(537)	(4,837)
Increase (decrease) in deposits received	31,094	(14,168)	1,303	11,738
Net Decrease in loans in banking business	(5,000)	–	–	–
Net increase in bonds in banking business	–	–	25,000	225,225
Net increase in deposits received in banking business	20,688	14,706	34,873	314,171
Net decrease in call loans in banking business	10,000	–	–	–
Net increase (decrease) in call money in banking business	20,000	(20,000)	–	–
Net decrease (increase) in ATM-related temporary accounts	(9,276)	974	(509)	(4,585)
Other	8,228	(28,214)	(18,332)	(165,153)
Subtotal	656,892	581,606	667,368	6,012,324
Interest and dividends received	3,712	4,468	3,833	34,531
Interest paid	(7,452)	(8,877)	(11,729)	(105,666)
Income taxes paid	(140,629)	(95,827)	(81,493)	(734,171)
Income taxes refund	–	16,936	–	–
Net cash provided by operating activities	512,523	498,306	577,979	5,207,018

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Cash flows from investing activities:				
Acquisition of property and equipment (Note 9)	(321,089)	(277,913)	(478,451)	(4,310,369)
Proceeds from sales of property and equipment	66,359	40,174	131,908	1,188,360
Acquisition of intangible assets	(27,347)	(33,375)	(33,083)	(298,045)
Payment for purchase of investments in securities	(55,010)	(20,353)	(36,623)	(329,936)
Proceeds from sales of investments in securities	18,806	32,435	22,608	203,675
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	–	(470)	(4,234)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	326	108	–	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	–	(127)	(1,144)
Payment for long-term leasehold deposits	(29,116)	(16,199)	(14,308)	(128,900)
Refund of long-term leasehold deposits	33,352	37,689	27,430	247,117
Proceeds from deposits from tenants	3,542	5,321	3,004	27,063
Refund of deposits from tenants	(3,269)	(5,654)	(3,122)	(28,126)
Proceeds from business divestitures	–	12,937	–	–
Payment for acquisition of business (Note 9)	(71,471)	(4,717)	(177,763)	(1,601,468)
Payment for time deposits	(10,850)	(16,294)	(11,869)	(106,927)
Proceeds from withdrawal of time deposits	28,233	12,751	16,665	150,135
Other	(4,067)	(7,329)	(9,957)	(89,702)
Net cash used in investing activities	(371,602)	(240,418)	(564,160)	(5,082,522)
Cash flows from financing activities:				
Net (decrease) increase in short-term loans	19,341	(23,150)	15,904	143,279
Proceeds from long-term debts	139,451	56,408	160,696	1,447,711
Repayment of long-term debts	(98,739)	(73,656)	(83,993)	(756,693)
Proceeds from commercial paper	75,161	–	2,319	20,891
Payment for redemption of commercial paper	(75,161)	–	(2,319)	(20,891)
Proceeds from issuance of bonds	–	–	66,478	598,900
Payment for redemption of bonds	(40,000)	(20,000)	(60,000)	(540,540)
Capital contribution from non-controlling interests	0	432	0	0
Dividends paid	(80,834)	(79,558)	(81,784)	(736,792)
Dividends paid to non-controlling interests	(6,142)	(7,017)	(7,196)	(64,828)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	–	716	6,450
Other	(11,267)	(21,966)	(16,146)	(145,459)
Net cash used in financing activities	(78,190)	(168,510)	(5,324)	(47,963)
Effect of exchange rate changes on cash and cash equivalents	(154)	1,508	(5,255)	(47,342)
Net increase in cash and cash equivalents	62,576	90,886	3,238	29,171
Cash and cash equivalents at beginning of year	1,147,086	1,209,497	1,300,383	11,715,162
Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation	(164)	–	(11)	(99)
Cash and cash equivalents at end of year	¥1,209,497	¥1,300,383	¥1,303,610	$11,744,234

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

Notes to Consolidated Financial Statements
Seven & i Holdings Co., Ltd.

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 Act 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 specific four 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 Act 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 Act of Japan, amounts of less than one million yen have been truncated. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation
The accompanying Consolidated Financial Statements include the accounts of the Company and 135 consolidated subsidiaries as of February 28, 2019 (145 as of February 28, 2018 and 149 as of February 28, 2017) which mainly include Seven-Eleven Japan Co., Ltd., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven Bank, Ltd., and Seven Financial Service Co. Ltd.

Seven entities have been additionally included in the scope of consolidation for the fiscal year ended February 28, 2019 with the establishment of Seven Pay Co., Ltd. and SCORE Co., Ltd. as well as through the acquisition of shares of MARRON STYLE Co., Ltd.

On the other hand, 17 entities were excluded from the scope of consolidation for the fiscal year ended February 28, 2019 due to the sale of SHADDY CO., LTD. and two other companies; the dissolution of seven companies; and the liquidation of seven companies.

The fiscal year-end of some consolidated 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 the closing date to February 28, 2019 are adjusted for the consolidation process.

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

All material intercompany transactions and account balances have been eliminated.

24 affiliates as of February 28, 2019 (24 affiliates as of February 28, 2018 and 26 affiliates as of February 28, 2017), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method.

The number of affiliates to which the equity method is applied has remained unchanged by increase of one affiliate in connection with the acquisition of shares of TORANOTEC Ltd. by the Company's subsidiary, Seven Bank, Ltd.; and by decrease of one affiliate in connection with the transfer of shares.

When an affiliate has a deficit net worth, the Company's share of such loss is reduced from its loan receivable from that affiliate. The affiliates which have different closing dates are included in the Consolidated Financial Statements based on their respective fiscal year-end.

(2) Inventories

Inventories are stated mainly at cost determined by the following method. Cost is determined principally by the retail method with book value written down to the net realizable value for domestic consolidated subsidiaries and by the first-in, first-out (FIFO) method (except for gasoline inventory that is determined mainly by the weighted-average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method and the moving-average method.

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.

Other 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 securities sold is determined using the moving-average method.

(b) Securities whose fair value is not available are mainly 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)

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

(6) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method.

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

Goodwill and negative goodwill which generated before March 1, 2011 are amortized mainly over a period of 20 years on a straight-line basis, or recognized as income or expenses immediately if immaterial. Negative goodwill arising on or after March 1, 2011 is recognized as income when it occurs.

The goodwill recognized in applying the equity method is accounted for in the same manner.

(7) Lease assets

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

Finance leases, commenced prior to March 1, 2009, which do not transfer ownership of leased property to the lessee, are accounted for in the same manner as operating leases.

(8) Income taxes

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

From the fiscal year ended February 28, 2013, the Company and part of wholly owned domestic subsidiaries have applied the Consolidated Taxation System.

Deferred tax accounting is applied.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for income tax purposes.

(9) Accounting for deferred assets

Business commencement expenses are amortized using the straight-line method over five years, or expensed as incurred if immaterial.

(10) 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 in the future as at the balance sheet date in accordance with the sales promotion point card program.
(c) Allowance for bonuses to employees
Allowance for bonuses to employees is provided at the amount calculated based on the estimation of payment.
(d) 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 future collection of gift certificates for income to be recognized after certain periods. The amount is calculated using the historical results of collection.
(e) Provision for sales returns
Provision for sales returns is provided at the amount of estimated future loss due to sales returns. The amount is calculated using the historical results of sales returns.
(f) Allowance for retirement benefits to Directors and Audit & Supervisory Board Members
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members is provided at the amount required to be paid in accordance with internal rules.
The Company and some of its consolidated subsidiaries abolished the retirement benefits policy for Directors and Audit & Supervisory Board Members, for which some consolidated subsidiaries have determined to pay the balance at the time of retirement.
(g) Allowance for stock payments
Allowance for stock payments is provided to prepare for payments of stock benefits to directors and executive officers of some consolidated subsidiaries. The amount is based on the expected stock benefit payable as at the balance sheet date.

(11) Accounting method for retirement benefits
(a) Allocation method of estimated total retirement benefits
Benefit formula basis
(b) Amortization method of the actuarial difference and the prior service cost
Actuarial differences are amortized on a straight-line basis over the period of 10 years from the year following the year in which they arise, which is within the average remaining years of service of the eligible employees.
Prior service costs are amortized on a straight-line basis over the periods of 5 years or 10 years, which are within the average remaining years of service of the eligible employees.

(12) Hedge accounting
Forward foreign exchange contracts are utilized as hedging instruments and the related hedged items are foreign currency-denominated monetary asset and liability. 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 foreign currency rates and interest rates and reducing financing costs as well as optimizing future cash flow.
The Companies do not hold or issue derivative instruments for trading or speculative purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments is deferred until the related gains and losses on the hedged items are recognized. The forward foreign exchange contracts are accounted for by the short-cut method when they meet certain criteria for the method. 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 expense as incurred. The hedge effectiveness is assessed by comparing the fluctuation quarterly except for those that meet specific hedging criteria.

(13) Per share information
Owners' equity (excluding non-controlling interests and subscription rights to shares) per share as of February 28, 2017, 2018 and 2019 is ¥2,641.40, ¥2,744.08 and ¥2,850.42 ($25.67), respectively. Net income per share for the fiscal years ended February 28, 2017, 2018 and 2019 is ¥109.42, ¥204.80 and ¥229.50 ($2.06), respectively. Diluted net income per share for the fiscal years ended February 28, 2017, 2018 and 2019 is ¥109.31, ¥204.63 and ¥229.31 ($2.06), 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 calculation of net income per share for the fiscal years ended February 28, 2017, 2018 and 2019 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Net income attributable to owners of parent	¥96,750	¥181,150	¥203,004	$1,828,864
Less components not pertaining to common shareholders	–	–	–	–
Net income pertaining to common shareholders	96,750	181,150	203,004	1,828,864
Weighted-average number of shares of common stock outstanding (shares)	884,214,252	884,531,496	884,568,131	884,568,131

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

(14) 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.

(15) 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 revenues from operations.

(16) Foreign currency translation

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

All balance sheets accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Non-controlling interests" and "Foreign currency translation adjustments."

(17) Cash and cash equivalents

Cash and cash equivalents in the accompanying Consolidated Balance Sheets and 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.

(18) Accounting for franchised stores in domestic and overseas convenience store operations

Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. recognize franchise commission from their franchised stores as "Operating revenues."

(19) Accounting standards issued but not yet applied

(Accounting standards on tax effect accounting)

- Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, February 16, 2018)
- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, February 16, 2018)

(a) Overview
In the course of the relocation of issuer of the practical guidelines related to tax effect accounting from The Japanese Institute of Certified Public Accountants ("JICPA") to the ASBJ, the Implementation Guidance on Tax Effect Accounting basically continues to apply the framework used in the practical guidelines of JICPA with the following revisions considered as necessary:
(Major revisions in accounting treatments)
- Treatment of future deductible temporary differences pertaining to investments in subsidiaries in the non-consolidated financial statements
- Treatment of recoverability related to deferred tax assets in companies that fall under Category 1

(b) Effective date
The above revisions are scheduled to be applied from the beginning of the fiscal year ending February 29, 2020.

(c) Effects of application of the guidance
No effects of the application on the Consolidated Financial Statements are assessed.

(Accounting Standard for Revenue Recognition)
- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(a) Overview
The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. To respond to both IFRS 15 and Topic 606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, respectively, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it with the implementation guidance.
In developing the accounting standard for revenue recognition, ASBJ basically integrated the core principle of IFRS 15 from a comparability point of view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. ASBJ, on the other side, considered additional alternative treatments where current practices under Japanese GAAP are to be reflected as far as such treatments would not significantly impair international comparability.

(b) Effective date
The above standards are scheduled to be applied from the beginning of the fiscal year ending February 28, 2023.

(c) Effects of application of the standards
The effects of the application on the Consolidated Financial Statements are currently under assessment.

((ASU) No. 2014-09 "Revenue from Contracts with Customers (Topic 606)")

(a) Overview
According to this accounting standard, the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services.

(b) Effective date
The above standard is scheduled to be applied from the beginning of the fiscal year ending February 28, 2020.

(c) Effects of application of the standards
The beginning balance of retained earnings and non-current deferred tax liabilities are estimated to be decreased by ¥43,794 million ($394,540 thousand) and ¥14,559 million ($131,162 thousand) respectively while "others" in current liabilities and "others" in non-current liabilities will be increased by ¥7,832 million ($70,558 thousand) and ¥50,521 million ($455,144 thousand) respectively if the above standard is applied.

(20) 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 ¥111=US$1, the approximate rate of exchange prevailing as of February 28, 2019. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

4. FINANCIAL INSTRUMENTS

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 instruments such as deposits at banks. The Companies mainly raise funds through bank loans and bond issuance.

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 designated the divisions 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. Bonds denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations, which is mitigated by currency swap contracts.

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 forward foreign exchange contracts that cover a portion of the settlement amount. With regards to the forward foreign exchange 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 foreign exchange contracts, currency swap 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 Sheets as of February 28, 2017, 2018 and 2019 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 (refer to Note 2 below).

Millions of yen

	2017		
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,209,497	¥1,209,497	¥–
Notes and accounts receivable, trade	347,838		
Allowance for doubtful accounts[a]	(2,993)		
	344,845	348,385	3,539
Investments in securities	145,458	148,292	2,833
Long-term leasehold deposits[b]	302,134		
Allowance for doubtful accounts[c]	(443)		
	301,691	316,473	14,781
Total assets	¥2,001,493	¥2,022,648	¥21,155
Notes and accounts payable, trade[d]	¥415,349	¥415,349	¥–
Deposits received in banking business	538,815	539,337	522
Bonds[e]	399,996	408,000	8,003
Long-term loans[f]	498,116	495,895	(2,220)
Deposits received from tenants and franchised stores[g]	28,453	28,037	(415)
Total liabilities	¥1,880,731	¥1,886,620	¥5,889
Derivative instruments [h]	¥164	¥164	¥–

Millions of yen

	2018		
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,300,383	¥1,300,383	¥–
Notes and accounts receivable, trade	337,938		
Allowance for doubtful accounts[a]	(3,133)		
	334,805	338,403	3,598
Investments in securities	131,957	144,699	12,741
Long-term leasehold deposits[b]	288,395		
Allowance for doubtful accounts[c]	(358)		
	288,036	300,694	12,658
Total assets	¥2,055,183	¥2,084,181	¥28,998
Notes and accounts payable, trade[d]	¥420,012	¥420,012	¥–
Deposits received in banking business	553,522	553,872	350
Bonds[e]	379,999	386,121	6,121
Long-term loans[f]	475,806	473,001	(2,804)
Deposits received from tenants and franchised stores[g]	28,381	28,002	(379)
Total liabilities	¥1,857,722	¥1,861,010	¥3,288
Derivative instruments [h]	¥(150)	¥(150)	¥–

	Millions of yen		
	2019		
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,303,610	¥1,303,610	¥–
Notes and accounts receivable, trade	336,070		
Allowance for doubtful accounts[(a)]	(3,292)		
	332,777	336,456	3,678
Investments in securities	144,331	152,091	7,759
Long-term leasehold deposits[(b)]	279,383		
Allowance for doubtful accounts[(c)]	(64)		
	279,318	291,504	12,185
Total assets	¥2,060,038	¥2,083,662	¥23,624
Notes and accounts payable, trade[(d)]	¥411,602	¥411,602	¥–
Deposits received in banking business	588,395	588,544	148
Bonds[(e)]	411,914	416,975	5,060
Long-term loans[(f)]	550,114	547,557	(2,556)
Deposits received from tenants and franchised stores[(g)]	27,335	27,085	(249)
Total liabilities	¥1,989,362	¥1,991,765	¥2,402
Derivative instruments [(h)]	¥(39)	¥(39)	¥–

	Thousands of U.S. dollars (Note 3)		
	2019		
	Book value	Fair value	Difference
Cash and cash equivalents	$11,744,234	$11,744,234	$–
Notes and accounts receivable, trade	3,027,657		
Allowance for doubtful accounts[(a)]	(29,657)		
	2,997,990	3,031,135	33,135
Investments in securities	1,300,279	1,370,189	69,900
Long-term leasehold deposits[(b)]	2,516,963		
Allowance for doubtful accounts[(c)]	(576)		
	2,516,378	2,626,162	109,774
Total assets	$18,558,900	$18,771,729	$212,828
Notes and accounts payable, trade[(d)]	$3,708,126	$3,708,126	$–
Deposits received in banking business	5,300,855	5,302,198	1,333
Bonds[(e)]	3,710,936	3,756,531	45,585
Long-term loans[(f)]	4,955,981	4,932,945	(23,027)
Deposits received from tenants and franchised stores[(g)]	246,261	244,009	(2,243)
Total liabilities	$17,922,180	$17,943,828	$21,639
Derivative instruments [(h)]	$(351)	$(351)	$–

Notes:

(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 long-term loans due within one year.

(g) The amount of deposits received from tenants and franchised stores includes a portion of the deposits received maturing within one year.

(h) The value of assets and liabilities arising from derivative instruments is 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 total sum of the capital and interest that reflects credit risk according to the corresponding interest rate of government bonds over the remaining period.

(3) Investments in securities
For the fair value of equity securities, market prices are used. For debt securities, market prices or the prices indicated by correspondent financial institutions are used.

(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 according to the corresponding interest rate of 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 time 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 prices is based on the present value, which is obtained by discounting the total principal and interest over the remaining period according to the interest rate that reflects credit risk. The fair value of foreign currency-denominated bonds, that meet specific hedging criteria and are accounted for by the designation method, is based on the present value, which is obtained by discounting future cash flows treated together with the related currency swap according to the interest rate that would be applied if similar Japanese domestic bonds were newly issued.

(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 according to 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 according to the corresponding interest rate of 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)
	2017	2018	2019	2019
	Book value			
Investments in securities[(a)]:				
Unlisted securities	¥13,496	¥11,000	¥11,399	$102,693
Shares of affiliates	27,362	28,469	30,454	274,360
Other	1,844	4,428	5,799	52,243
Long-term leasehold deposits[(b)]	108,605	103,440	101,757	916,729
Deposits received from tenants and franchised stores[(b)]	29,822	28,760	27,612	248,756

Notes:

(a) They are not included in Assets (3) Investments in securities since determining their estimated fair values was deemed to be highly difficult, due to the fact that they do not have market prices and the future cash flows cannot be estimated.

(b) They are not included in Assets (4) Long-term leasehold deposits and Liabilities (5) Deposits received from tenants and franchised stores 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

	2017			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,209,497	¥–	¥–	¥–
Notes and accounts receivable, trade	334,623	11,893	1,150	171
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	6,700	21,820	–	–
Bonds	25,200	23,040	–	–
Other	–	–	–	–
Long-term leasehold deposits	28,371	88,351	76,854	108,557
Total	¥1,604,392	¥145,105	¥78,004	¥108,728

Millions of yen

	2018			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,300,383	¥–	¥–	¥–
Notes and accounts receivable, trade	323,993	12,438	1,303	202
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	6,700	16,820	–	–
Bonds	13,230	24,600	–	–
Other	–	–	–	–
Long-term leasehold deposits	29,131	81,748	72,570	104,944
Total	¥1,673,438	¥135,607	¥73,874	¥105,147

	Millions of yen			
	2019			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,303,610	¥–	¥–	¥–
Notes and accounts receivable, trade	320,854	13,299	1,622	292
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	9,350	19,383	–	–
Bonds	21,300	24,400	–	–
Other	–	–	–	–
Long-term leasehold deposits	30,630	68,305	54,665	125,781
Total	¥1,685,745	¥125,388	¥56,288	¥126,074

	Thousands of U.S. dollars (Note 3)			
	2019			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$11,744,234	$–	$–	$–
Notes and accounts receivable, trade	2,890,576	119,810	14,612	2,630
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	84,234	174,621	–	–
Bonds	191,891	219,819	–	–
Other	–	–	–	–
Long-term leasehold deposits	275,945	615,360	492,477	1,133,162
Total	$15,186,891	$1,129,621	$507,099	$1,135,801

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

	Millions of yen			
	2017			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥433,497	¥105,318	¥–	¥–

	Millions of yen			
	2018			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥449,668	¥103,853	¥–	¥–

	Millions of yen			
	2019			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥473,460	¥114,935	¥–	¥–

	Thousands of U.S. dollars (Note 3)			
	2019			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$4,265,405	$1,035,450	$–	$–

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

Note 5: Redemption schedule for long-term debt with maturities

	Millions of yen					
	2017					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥50,000	¥74,996	¥50,000	¥80,000	¥–	¥145,000
Long-term loans	64,301	72,496	85,875	28,665	114,135	132,641
Total	¥114,301	¥147,493	¥135,875	¥108,665	¥114,135	¥277,641

	Millions of yen					
	2018					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥74,999	¥50,000	¥80,000	¥–	¥60,000	¥115,000
Long-term loans	82,656	94,314	46,675	114,698	44,043	93,419
Total	¥157,655	¥144,314	¥126,675	¥114,698	¥104,043	¥208,419

	Millions of yen					
	2019					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥50,000	¥80,000	¥66,914	¥60,000	¥60,000	¥95,000
Long-term loans	106,688	78,498	131,904	53,032	62,301	117,688
Total	¥156,688	¥158,498	¥198,819	¥113,032	¥122,301	¥212,688

	Thousands of U.S. dollars (Note 3)					
	2019					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	$450,450	$720,720	$602,828	$540,540	$540,540	$855,855
Long-term loans	961,153	707,189	1,188,324	477,765	561,270	1,060,252
Total	$1,411,603	$1,427,909	$1,791,162	$1,018,306	$1,101,810	$1,916,108

5. SECURITIES INFORMATION

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 28, 2017, 2018 and 2019 (excluding non-marketable securities of ¥13,496 million, ¥11,000 million and ¥11,399 million ($102,693 thousand) as of February 28, 2017, 2018 and 2019, respectively):

	Millions of yen		
			2017
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥58,996	¥20,786	¥38,209
Debt securities			
Governmental and municipal bonds, etc.	27,537	27,523	13
Corporate bonds	38,196	38,180	15
Subtotal	124,730	86,491	38,239
Securities with book value not exceeding acquisition cost:			
Equity securities	1,020	1,154	(134)
Debt securities			
Governmental and municipal bonds, etc.	1,505	1,505	(0)
Corporate bonds	10,276	10,280	(3)
Subtotal	12,802	12,940	(138)
Total	¥137,533	¥99,431	¥38,101

	Millions of yen		
			2018
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥61,055	¥23,194	¥37,860
Debt securities			
Governmental and municipal bonds, etc.	10,956	10,955	0
Corporate bonds	6,229	6,228	1
Subtotal	78,241	40,378	37,863
Securities with book value not exceeding acquisition cost:			
Equity securities	794	974	(179)
Debt securities			
Governmental and municipal bonds, etc.	12,846	12,847	(1)
Corporate bonds	31,817	31,827	(10)
Subtotal	45,458	45,649	(191)
Total	¥123,699	¥86,027	¥37,671

	Millions of yen		
	2019		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥59,106	¥22,158	¥36,948
Debt securities			
Governmental and municipal bonds, etc.	18,028	18,020	8
Corporate bonds	1,011	1,011	0
Subtotal	78,147	41,190	36,956
Securities with book value not exceeding acquisition cost:			
Equity securities	1,583	1,964	(381)
Debt securities			
Governmental and municipal bonds, etc.	10,926	10,926	(0)
Corporate bonds	44,998	45,013	(15)
Subtotal	57,508	57,904	(396)
Total	¥135,655	¥99,095	¥36,559

	Thousands of U.S. dollars (Note 3)		
	2019		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$532,486	$199,621	$332,864
Debt securities			
Governmental and municipal bonds, etc.	162,414	162,342	72
Corporate bonds	9,108	9,108	0
Subtotal	704,027	371,081	332,936
Securities with book value not exceeding acquisition cost:			
Equity securities	14,261	17,693	(3,432)
Debt securities			
Governmental and municipal bonds, etc.	98,432	98,432	(0)
Corporate bonds	405,387	405,522	(135)
Subtotal	518,090	521,657	(3,567)
Total	$1,222,117	$892,747	$329,360

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2017, 2018 and 2019 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Sales amounts	¥193	¥31	¥2,681	$24,153
Gain on sales of available-for-sale securities	57	10	2,665	24,009
Loss on sales of available-for-sale securities	11	0	32	288

(3) Impairment loss on securities
For the fiscal years ended February 28, 2017, 2018 and 2019, the Companies recognized ¥10 million, nil and ¥11 million ($99 thousand) 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, recognize impairment losses on such securities.

(4) Investments in affiliates included in investments in securities in the accompanying Consolidated Balance Sheets as of February 28, 2017, 2018 and 2019 were ¥35,288 million, ¥36,727 million and ¥39,130 million ($352,522 thousand), respectively.

6. Derivative Transactions

The Companies have policies to use interest rate swap contracts, forward foreign 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 financing costs as well as optimizing future cash flow. 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 divisions in the Companies enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2017, 2018 and 2019 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
Currency-related transactions

	Millions of yen			
	2017			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥2,432	¥–	¥73	¥73
Buy Euro	228	–	1	1
Buy Chinese yuan	128	–	(0)	(0)
Buy Hong Kong dollar	105	–	(3)	(3)
Sell U.S. dollar	49	–	(6)	(6)

	Millions of yen			
	2018			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥2,683	¥–	¥(102)	¥(102)
Buy Euro	261	–	(2)	(2)
Buy Chinese yuan	116	–	(1)	(1)
Buy Hong Kong dollar	20	–	(1)	(1)
Sell U.S. dollar	1,105	–	11	11

	Millions of yen			
	2019			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,984	¥–	¥(13)	¥(13)
Buy Euro	293	–	(7)	(7)
Buy Chinese yuan	133	–	4	4
Buy Hong Kong dollar	60	–	(0)	(0)
Sell U.S. dollar	863	–	(17)	(17)

	Thousands of U.S. dollars (Note 3)			
	2019			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	$17,873	$–	$(117)	$(117)
Buy Euro	2,639	–	(63)	(63)
Buy Chinese yuan	1,198	–	36	36
Buy Hong Kong dollar	540	–	(0)	(0)
Sell U.S. dollar	7,774	–	(153)	(153)

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
(1) Currency-related transactions

	Millions of yen		
	2017		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,500	¥–	¥101[(a)]
Forward foreign exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥251	¥–	¥–[(b)]

	Millions of yen		
	2018		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,464	¥–	¥(55)[(a)]
Forward foreign exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥5	¥–	¥–[(b)]

	Millions of yen		
	2019		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,050	¥–	¥(5)[(a)]
Forward foreign exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥53	¥–	¥–[(b)]
Currency swap contracts, accounted for by designation method			
Receive U.S. dollar / Pay Japanese yen	¥66,918	¥66,918	¥–[(b)]

	Thousands of U.S. dollars (Note 3) 2019		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$9,459	$–	$(45)[a]
Forward foreign exchange contracts, accounted for by designation method			
Buy U.S. dollar	$477	$–	$–[b]
Currency swap contracts, accounted for by designation method			
Receive U.S. dollar / Pay Japanese yen	$602,864	$602,864	$–[b]

Notes:
(a) The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.
(b) Forward foreign exchange contracts and currency swap contracts, accounted for by designation method are accounted for as part of notes and accounts payable, trade, and foreign currency-denominated bonds, respectively. Therefore, the estimated fair value of these contracts is included in the fair value of the underlying notes and accounts payable, trade, and foreign currency-denominated bonds.

(2) Interest rate related transactions

	Millions of yen 2017		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	¥10,550	¥10,000	¥–[a]

	Millions of yen 2018		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	¥10,000	¥10,000	¥–[a]

	Millions of yen 2019		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	¥10,000	¥–	¥–[a]

	Thousands of U.S. dollars (Note 3) 2019		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	$90,090	$–	$–[a]

Notes:
(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 (12), “Hedge accounting.”

7. Property and Equipment

Property and equipment at February 28, 2017, 2018 and 2019 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Buildings and structures	¥2,138,622	¥2,139,523	¥2,241,428	$20,193,045
Furniture, fixtures and other	913,016	965,830	912,078	8,216,918
	3,051,639	3,105,353	3,153,506	28,409,963
Less: Accumulated depreciation	(1,861,414)	(1,894,756)	(1,875,955)	(16,900,495)
	1,190,225	1,210,597	1,277,550	11,509,459
Land	768,926	725,180	751,616	6,771,315
Construction in progress	48,677	53,677	89,463	805,972
Total	¥2,007,829	¥1,989,455	¥2,118,630	$19,086,756

8. IMPAIRMENT LOSS

For the fiscal years ended February 28, 2017, 2018 and 2019, the Companies recognized ¥59,719 million, ¥88,879 million and ¥57,368 million ($516,828 thousand) of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2017:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	109 Stores	¥55,407
			Superstores	13 Stores	
			Specialty stores	24 Stores	
		Osaka Pref.	Domestic convenience stores	52 Stores	
			Specialty stores	4 Stores	
		Saitama Pref.	Domestic convenience stores	47 Stores	
			Superstores	3 Stores	
			Department stores	2 Stores	
			Specialty stores	4 Stores	
			Others	1 Store	
		U.S. & others	Overseas convenience stores	62 Stores	
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Tokyo Met., Nagano Pref. & others			4,311
Total					¥59,719

Note: ¥6,927 million (Stores) and ¥3,683 million (Other facilities, etc.) are included in “Restructuring expenses” in Consolidated Statements of Income.

Fiscal year ended February 28, 2018:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	78 Stores	¥61,809
			Superstores	5 Stores	
			Specialty stores	11 Stores	
		Osaka Pref.	Domestic convenience stores	76 Stores	
			Specialty stores	2 Stores	
		Aichi Pref.	Domestic convenience stores	61 Stores	
			Specialty stores	3 Stores	
		U.S. & others	Overseas convenience stores	143 Stores	
omni7	Software and buildings, etc.	Tokyo Met., Saitama Pref., Osaka Pref. & others			23,492
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Tokyo Met., Nagano Pref. & others			3,576
Total					¥88,879

Note: ¥29,001 million (Stores) and ¥2,808 million (Other facilities, etc.) are included in "Restructuring expenses" in Consolidated Statements of Income.

Fiscal year ended February 28, 2019:

Description	Classification	Location			Millions of yen	Thousands of U.S. dollars (Note 3)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	102 Stores	¥47,480	$427,747
			Superstores	5 Stores		
			Specialty stores	12 Stores		
		Osaka Pref.	Domestic convenience stores	80 Stores		
			Specialty stores	1 Store		
		Aichi Pref.	Domestic convenience stores	79 Stores		
		U.S. & others	Overseas convenience stores	208 Stores		
Overseas ATM related business	Furniture, fixtures and equipment, etc.	U.S. & others			7,193	64,801
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Nagano Pref., Tokyo Met. & others			2,694	24,270
Total					¥57,368	$516,828

Note: ¥1,591 million ($14,333 thousand) (Stores) are included in "Restructuring expenses" in Consolidated Statements of Income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts when the book values exceed future cash flows before discount, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:
Fiscal year ended February 28, 2017:

	Millions of yen			
	Stores	omni7	Other facilities, etc.	Total
Buildings and structures	¥43,328	–	¥994	¥44,322
Land	6,462	–	48	6,510
Software	74	–	1,043	1,117
Other	5,543	–	2,225	7,769
Total	¥55,407	–	¥4,311	¥59,719

Note: ¥6,520 million (Buildings and structures), ¥729 million (Land), ¥1,033 million (Software), and ¥2,328 million

(Other) are included in “Restructuring expenses” in Consolidated Statements of Income.

Fiscal year ended February 28, 2018:

	Millions of yen			
	Stores	omni7	Other facilities, etc.	Total
Buildings and structures	¥29,496	¥670	¥708	¥30,875
Land	20,965	–	389	21,354
Software	0	19,587	1,224	20,813
Other	11,347	3,234	1,254	15,836
Total	¥61,809	¥23,492	¥3,576	¥88,879

Note: ¥9,601 million (Buildings and structures), ¥18,367 million (Land), ¥809 million (Software), and ¥3,030 million (Other) are included in “Restructuring expenses” in Consolidated Statements of Income.

Fiscal year ended February 28, 2019:

	Millions of yen			
	Stores	Overseas ATM related business	Other facilities, etc.	Total
Buildings and structures	¥24,424	¥26	¥368	¥24,819
Furniture, fixtures and equipment	9,631	4,132	51	13,815
Land	5,224	–	955	6,179
Software	1,592	314	105	2,012
Other	6,606	2,720	1,214	10,541
Total	¥47,480	¥7,193	¥2,694	¥57,368

Note: ¥1,144 million ($10,306 thousand) (Buildings and structures), ¥167 million ($1,504 thousand) (Furniture, fixtures and equipment), ¥196 million ($1,765 thousand) (Land), and ¥83 million ($747 thousand) (Other) are included in “Restructuring expenses” in Consolidated Statements of Income.

Fiscal year ended February 28, 2019:

	Thousands of U.S. dollars (Note 3)			
	Stores	Overseas ATM related business	Other facilities, etc.	Total
Buildings and structures	$220,036	$234	$3,315	$223,594
Furniture, fixtures and equipment	86,765	37,225	459	124,459
Land	47,063	–	8,603	55,666
Software	14,342	2,828	945	18,126
Other	59,513	24,504	10,936	94,963
Total	$427,747	$64,801	$24,270	$516,828

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards etc., and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 1.6-6.0% discount rates in 2017, 1.7-6.0% in 2018 and 3.1-11.5% in 2019 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Major non-cash transactions

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Finance lease obligations for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	¥6,713	¥5,952	¥9,156	$82,486
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	11,501	6,554	10,378	93,495

(2) Acquisition of business

The followings are the details of payment made by 7-Eleven, Inc. to acquire the assets and liabilities related to business acquisition.

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Inventories	¥2,047	¥128	¥14,205	$127,972
Goodwill	69,412	4,692	156,797	1,412,585
Other	11	(103)	6,760	60,900
Subtotal	71,471	4,717	177,763	1,601,468
Property and equipment	53,839	2,589	184,311	1,660,459
Total	¥125,310	¥7,307	¥362,075	$3,261,936

The property and equipment set out above at an amount of ¥53,839 million, ¥2,589 million and ¥184,311 million ($1,660,459 thousand) are included in acquisition of property and equipment in the Consolidated Statements of Cash Flows for the fiscal years ended February 28, 2017, 2018 and 2019, respectively.

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different tax rates based on income which, in aggregate, indicate statutory rates of approximately 33.1% for the fiscal year ended February 28, 2017, 30.9% for the fiscal years ended February 28, 2018 and 2019.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2017, 2018 and 2019 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Deferred tax assets:				
Allowance for bonuses to employees	¥4,408	¥4,642	¥4,344	$39,135
Allowance for sales promotion expenses	6,398	5,870	5,679	51,162
Accrued payroll	9,889	7,126	7,830	70,540
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	290	314	287	2,585
Allowance for accrued pension and severance costs	1,332	1,242	859	7,738
Allowance for loss on future collection of gift certificates	574	499	408	3,675
Depreciation and amortization	13,494	12,174	11,911	107,306
Tax loss carried forward	39,256	42,724	41,473	373,630
Valuation loss on available-for-sale securities	774	1,045	1,045	9,414
Allowance for doubtful accounts	1,810	1,776	1,629	14,675
Unrealized loss on property and equipment	9,566	7,712	7,597	68,441
Impairment loss on property and equipment valuation and loss on land	50,651	57,219	62,794	565,711
Accrued enterprise taxes and business office taxes	4,329	4,044	4,350	39,189
Accrued expenses	17,239	13,014	9,823	88,495
Asset retirement obligations	20,273	19,590	20,427	184,027
Rights of trademark	2,080	1,235	1,110	10,000
Other	24,283	21,422	19,861	178,927
Subtotal	206,655	201,657	201,435	1,814,729
Less: Valuation allowance	(81,445)	(83,228)	(83,178)	(749,351)
Total	125,209	118,429	118,257	1,065,378
Deferred tax liabilities:				
Unrealized gains on property and equipment	(52,431)	(35,271)	(36,592)	(329,657)
Royalties, etc.	(26,737)	(21,742)	(27,702)	(249,567)
Reserve for advanced depreciation of property and equipment	(779)	(765)	(751)	(6,765)
Unrealized gains on available-for-sale securi-ties	(9,860)	(9,910)	(10,931)	(98,477)
Net defined benefit asset	(13,620)	(13,911)	(13,360)	(120,360)
Unrealized intercompany profit	(4,594)	(4,594)	(4,594)	(41,387)
Removal cost related to asset retirement ob-ligations	(7,181)	(7,550)	(7,847)	(70,693)
Other	(3,624)	(3,777)	(2,979)	(26,837)
Total	(118,830)	(97,525)	(104,758)	(943,765)
Net deferred tax assets [(a)]	¥6,378	¥20,903	¥13,498	$121,603

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Current assets - Deferred income taxes	¥30,239	¥27,981	¥26,582	$239,477
Other assets - Deferred income taxes	25,261	28,375	31,079	279,990
Current liabilities - Other	(41)	(36)	(31)	(279)
Non-current liabilities - Deferred income taxes	(49,080)	(35,416)	(44,132)	(397,585)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2017, 2018 and 2019 is as follows:

	2017	2018	2019
Statutory tax rate	33.1%	30.9%	30.9%
Adjustments:			
Equity in earnings of affiliates	(0.3)	(0.2)	(0.1)
Non-deductible items, such as entertainment expenses	2.1	0.3	0.4
Decrease in valuation allowance	3.3	1.9	(0.1)
Inhabitant taxes per capital	0.9	0.6	0.5
Amortization of goodwill	8.4	1.9	2.6
Difference from applicable tax rates of foreign subsidiaries	–	–	(1.9)
Decrease in deferred tax assets at the fiscal year end due to changes in tax rate	0.9	(6.5)	—
Other	0.7	(0.2)	0.6
Effective tax rate	49.1%	28.7%	32.9%

(3) Effect of change in rates of income taxes
The Tax Cuts and Jobs Act was enacted in the U.S. on December 22, 2017. Due to the Act, the federal corporate income tax rate in the U.S. was reduced from 35% to 21% for fiscal years beginning on and after January 1, 2018.
As a result of the reduction of the federal corporate income tax rate, the balance of deferred tax liabilities (net of deferred tax assets) as at February 28, 2018 decreased by ¥18,218 million compared to the balance as at February 28, 2017 and income taxes–deferred in 2018 decreased by ¥18,082 million compared to that of 2017 accordingly.

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 severance payment plan. Additional retirement benefits may be added upon the retirement of employees.
Certain consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Defined benefit plans, including a plan applying a simplified method

(a) Change in retirement benefit obligations

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Balance at beginning of year	¥249,767	¥253,979	¥274,648	$2,474,306
Service cost	11,460	11,729	12,973	116,873
Interest cost	2,694	2,744	1,603	14,441
Actuarial differences	1,437	17,777	1,085	9,774
Benefits paid	(11,039)	(11,603)	(12,314)	(110,936)
Prior service cost	–	2	–	–
Decrease due to deconsolidation	–	–	(1,319)	(11,882)
Other	(340)	18	27	243
Balance at end of year	¥253,979	¥274,648	¥276,704	$2,492,828

(b) Change in plan assets

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Balance at beginning of year	¥267,262	¥289,444	¥311,083	$2,802,549
Expected return on plan assets	6,657	7,210	7,750	69,819
Actuarial differences	14,490	13,375	(6,205)	(55,900)
Employer contribution	11,636	11,788	11,891	107,126
Benefits paid	(10,601)	(10,737)	(11,682)	(105,243)
Balance at end of year	¥289,444	¥311,083	¥312,837	$2,818,351

(c) Reconciliation from retirement benefit obligations and plan assets to liabilities and assets for retirement benefits

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Funded retirement benefit obligations	¥244,816	¥265,463	¥269,170	$2,424,954
Plan assets	(289,444)	(311,083)	(312,837)	(2,818,351)
	(44,628)	(45,620)	(43,666)	(393,387)
Unfunded retirement benefit obligations	9,163	9,185	7,534	67,873
	¥(35,465)	¥(36,435)	¥(36,132)	$(325,513)
Net defined benefit liability	¥9,163	¥9,185	¥7,534	$67,873
Net defined benefit asset	(44,628)	(45,620)	(43,666)	(393,387)
	¥(35,465)	¥(36,435)	¥(36,132)	$(325,513)

(d) Retirement benefit costs

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Service cost	¥11,460	¥11,729	¥12,973	$116,873
Interest cost	2,694	2,744	1,603	14,441
Expected return on plan assets	(6,657)	(7,210)	(7,750)	(69,819)
Amortization of actuarial differences	5,406	4,180	2,730	24,594
Amortization of prior service cost	(30)	(28)	(236)	(2,126)
Additional retirement benefits	556	610	911	8,207
Total retirement benefit costs	¥13,429	¥12,025	¥10,231	$92,171

(e) Remeasurements of defined benefit plans (pretax) recognized in other comprehensive income

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Prior service cost	¥(30)	¥(31)	¥(236)	$(2,126)
Actuarial differences	18,526	(144)	(4,513)	(40,657)
Total	¥18,495	¥(175)	¥(4,750)	$(42,792)

(f) Remeasurements of defined benefit plans (pretax) recognized in accumulated other comprehensive income

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Unrecognized prior service cost	¥(274)	¥(243)	¥(6)	$(54)
Unrecognized actuarial differences	(5,554)	(5,409)	(892)	(8,036)
Total	¥(5,828)	¥(5,652)	¥(898)	$(8,090)

(g) Plan assets
(i) The asset allocation for the plans

	2017	2018	2019
Bonds	43%	45%	59%
Equity	40%	38%	30%
Other	17%	17%	11%
Total	100%	100%	100%

(ii) Method for setting long-term expected rate of return
To set the expected rate of return on plan assets, the Company takes into account the current and expected allocation of plan assets and the expected present and future long-term rate of return on the diverse range of assets that make up plan assets.

(h) Actuarial assumptions

	2017	2018	2019
Discount rate	mainly 1.0%	mainly 0.5%	mainly 0.5%
Discount rate (consolidated subsidiaries in the United States)	4.3%	3.8%	4.4%
Long-term expected rate of return on plan assets	mainly 2.5%	mainly 2.5%	mainly 2.5%
Expected rate of salary increase	mainly 2.9%	mainly 2.9%	mainly 2.5%

(3) Defined contribution plans

Contribution made to the defined contribution plans by some of the Company's domestic consolidated subsidiaries and consolidated subsidiaries in the United States amounted to ¥8,060 million, ¥3,125 million and ¥2,871 million ($25,864 thousand) for the fiscal years ended February 28, 2017, 2018 and 2019, respectively.

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)
	2017	2018	2019	2019
Outstanding balance at fiscal year-end:				
Short-term bank loans [(a)]	¥150,376	¥127,255	¥143,160	$1,289,729
Weighted-average interest rate at year-end:				
Short-term bank loans	0.27%	0.23%	0.21%	0.21%

Note:

(a) The total amounts of short-term loans with collateral as of February 28, 2017, 2018 and 2019 were ¥5,200 million, ¥3,795 million and nil, respectively (Note 18).

Long-term debt as of February 28, 2017, 2018 and 2019 consists of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Outstanding balance as of fiscal year-end:				
Loans, principally from banks and insurance companies, due fiscal 2019 to 2030 with interest rates ranging from 0.0783% to 6.0% [b]	¥498,116	¥475,806	¥550,114	$4,955,981
Lease obligations	44,821	38,694	39,469	355,576
Seven & i Holdings Co., Ltd.:				
1.940% unsecured straight bonds, due June 20, 2018	29,996	29,999	–	–
0.852% unsecured straight bonds, due June 20, 2017	20,000	–	–	–
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	60,000	540,540
0.383% unsecured straight bonds, due June 20, 2019	40,000	40,000	40,000	360,360
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	180,180
0.150% unsecured straight bonds, due June 20, 2018	30,000	30,000	–	–
0.514% unsecured straight bonds, due June 20, 2022	60,000	60,000	60,000	540,540
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	30,000	270,270
3.350% unsecured straight bonds, due September 17, 2021	–	–	66,914	602,828
Seven Bank, Ltd.:				
0.398% unsecured straight bonds, due June 20, 2017	30,000	–	–	–
0.613% unsecured straight bonds, due June 20, 2019	10,000	10,000	10,000	90,090
0.243% unsecured straight bonds, due March 20, 2018	15,000	15,000	–	–
0.460% unsecured straight bonds, due March 19, 2020	20,000	20,000	20,000	180,180
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	180,180
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	15,000	135,135
0.390% unsecured straight bonds, due September 17, 2027	–	30,000	30,000	270,270
0.160% unsecured straight bonds, due December 20, 2023	–	–	20,000	180,180
0.385% unsecured straight bonds, due December 20, 2028	–	–	20,000	180,180
	942,934	894,500	1,001,499	9,022,513
Current portion of long-term debt	(130,758)	(173,816)	(172,154)	(1,550,936)
	¥812,176	¥720,683	¥829,344	$7,471,567

Note:
(b) The total amounts of long-term debt with collateral as of February 28, 2017, 2018 and 2019 were ¥9,811 million, ¥8,739 million and ¥8,862 million ($79,837 thousand), respectively (Note 18).

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

Fiscal year ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2020	¥172,154	$1,550,936
2021	164,127	1,478,621
2022	202,662	1,825,783
2023	116,148	1,046,378
2024	125,094	1,126,972
Thereafter	221,310	1,993,783
	¥1,001,499	$9,022,513

13. Leases

Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2017, 2018 and 2019 are as follows:

As lessee:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Due within one year	¥95,704	¥91,193	¥98,736	$889,513
Due after one year	543,277	517,601	605,325	5,453,378
Total	¥638,981	¥608,795	¥704,061	$6,342,891

As lessor:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Due within one year	¥2,037	¥4,070	¥6,403	$57,684
Due after one year	5,539	12,677	18,619	167,738
Total	¥7,576	¥16,747	¥25,022	$225,423

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2017, 2018 and 2019:

(1) Summary of asset retirement obligations

Asset retirement obligations recorded by the Companies are mainly related to the obligations to restore 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 1 and 50 years and use a discount rate between 0% and 8.3%

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2017, 2018 and 2019

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Balance at beginning of year	¥75,140	¥83,672	¥81,390	$733,243
Increase due to acquisition of property and equipment	13,457	5,576	9,958	89,711
Adjustment due to passage of time	1,350	1,285	1,434	12,918
Decrease due to settlement of asset retirement obligations	(4,720)	(7,271)	(3,873)	(34,891)
Decrease due to release from restoration obligations	(489)	(181)	(25)	(225)
Decrease due to reconciliation of estimated cost and actual cost	(456)	(838)	(569)	(5,126)
Others	(608)	(851)	(464)	(4,180)
Balance at end of year	¥83,672	¥81,390	¥87,850	$791,441

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) including reclassification adjustments and tax effects for the fiscal years ended February 28, 2017, 2018 and 2019 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Unrealized gains (losses) on available-for-sale securities, net of taxes:				
Increase(decrease) during the fiscal year	¥10,243	¥(566)	¥(504)	$(4,540)
Reclassification adjustments	10	3	11	99
Amount before tax	10,254	(563)	(493)	(4,441)
Tax effects	(2,515)	(0)	(1,019)	(9,180)
Subtotal	7,738	(563)	(1,512)	(13,621)
Unrealized gains (losses) on hedging derivatives, net of taxes:				
Increase (decrease) during the fiscal year	(872)	(156)	18	162
Reclassification adjustments	–	–	0	0
Amount before tax	(872)	(156)	19	171
Tax effects	308	47	(3)	(27)
Subtotal	(563)	(108)	15	135
Foreign currency translation adjustments:				
Decrease during the fiscal year	(14,915)	(10,008)	(23,298)	(209,891)
Remeasurements of defined benefit plans, net of taxes:				
Increase (decrease) during the fiscal year	13,268	(4,328)	(7,290)	(65,675)
Reclassification adjustments	5,227	4,152	2,539	22,873
Amount before tax	18,495	(175)	(4,750)	(42,792)
Tax effects	(5,377)	69	1,478	13,315
Subtotal	13,118	(106)	(3,272)	(29,477)
Share of other comprehensive income (loss) of entities accounted for using equity method:				
Decrease during the fiscal year	(25)	(36)	(28)	(252)
Total other comprehensive income (loss)	¥5,352	¥(10,823)	¥(28,096)	$(253,117)

16. NET ASSETS

Net assets are comprised of four subsections, which are shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and non-controlling interests.

Under the Japanese Corporation Act ("the Act") and related 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 Act, 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.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, 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 Act.

At the annual shareholders' meeting held on May 23, 2019, the shareholders approved cash dividends amounting to ¥42,018 million ($378,540 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2019 because those are recognized in the period in which they are approved by the shareholders.

17. STOCK OPTIONS

Stock option expense that is accounted for under selling, general and administrative expenses on the Consolidated Statements of Income for the fiscal years ended February 28, 2017, 2018 and 2019 amounted to ¥480 million, ¥478 million and ¥491 million ($4,423 thousand), 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 ordinary shares	95,800 ordinary 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 ordinary shares	129,700 ordinary 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 ordinary shares	114,400 ordinary 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 ordinary shares	128,000 ordinary 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, 2012 to June 15, 2041

	Ninth grant	Tenth grant
Title and number of grantees	7 directors of the Company	118 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	27,000 ordinary shares	126,100 ordinary shares
Grant date	July 6, 2012	July 6, 2012
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2013 to July 6, 2032	From February 28, 2013 to July 6, 2042

	Eleventh grant	Twelfth grant
Title and number of grantees	7 directors of the Company	108 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	24,900 ordinary shares	110,500 ordinary shares
Grant date	August 7, 2013	August 7, 2013
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2014 to August 7, 2033	From February 28, 2014 to August 7, 2043

	Thirteenth grant	Fourteenth grant
Title and number of grantees	7 directors of the Company	113 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	24,000 ordinary shares	102,800 ordinary shares
Grant date	August 6, 2014	August 6, 2014
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2015 to August 6, 2034	From February 28, 2015 to August 6, 2044

	Fifteenth grant	Sixteenth grant
Title and number of grantees	8 directors of the Company	114 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	28,100 ordinary shares	101,800 ordinary shares
Grant date	August 5, 2015	August 5, 2015
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 29, 2016 to August 5, 2035	From February 29, 2016 to August 5, 2045

	Seventeenth grant	Eighteenth grant
Title and number of grantees	7 directors of the Company	107 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	16,500 ordinary shares	86,800 ordinary shares
Grant date	August 3, 2016	August 3, 2016
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2017 to August 3, 2036	From February 28, 2017 to August 3, 2046

	Nineteenth grant	Twentieth 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)]	16,100 ordinary shares	110,700 ordinary shares
Grant date	August 4, 2017	August 4, 2017
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2018 to August 4, 2037	From February 28, 2018 to August 4, 2047

	Twenty-first grant	Twenty-second grant
Title and number of grantees	7 directors of the Company	112 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	18,200 ordinary shares	111,100 ordinary shares
Grant date	August 3, 2018	August 3, 2018
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2019 to August 3, 2038	From February 28, 2019 to August 3, 2048

Notes:
(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 their position as a director or executive officer of the Company or of its subsidiaries.

(b) Scale and changes in stock options
The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2019. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2019:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	1,800	22,100	4,100	30,700
Vested	–	–	–	–
Exercised	–	700	–	1,300
Forfeited	–	–	–	–
Outstanding	1,800	21,400	4,100	29,400

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	3,800	34,900	4,700	50,200
Vested	–	–	–	–
Exercised	–	1,700	–	2,100
Forfeited	–	–	–	–
Outstanding	3,800	33,200	4,700	48,100

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	4,500	55,100	4,100	56,100
Vested	–	–	–	–
Exercised	–	2,900	–	2,900
Forfeited	–	–	–	–
Outstanding	4,500	52,200	4,100	53,200

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	3,800	61,000	6,800	70,500
Vested	–	–	–	–
Exercised	–	2,800	–	3,000
Forfeited	–	–	–	–
Outstanding	3,800	58,200	6,800	67,500

	Seventeenth grant	Eighteenth grant	Nineteenth grant	Twentieth grant
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	12,400	67,900	16,100	109,900
Vested	–	–	–	–
Exercised	–	3,600	–	7,600
Forfeited	–	–	–	–
Outstanding	12,400	64,300	16,100	102,300

	Twenty-first grant	Twenty-second grant
Before vested:		
As of February 28, 2018	–	–
Granted	18,200	111,100
Forfeited	–	–
Vested	18,200	111,100
Outstanding	–	–
After vested:		
As of February 28, 2018	–	–
Vested	18,200	111,100
Exercised	–	–
Forfeited	–	–
Outstanding	18,200	111,100

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,901 ($44.1) per subscription to share	–	¥4,652 ($41.9) per subscription to share
Fair value at the grant date[(a)]	¥307,000 ($2,765) per subscription to share	¥311,300 ($2,804) per subscription to share	¥204,500 ($1,842) per subscription to share	¥211,100 ($1,901) per subscription to share

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,583 ($41.2) per subscription to share	–	¥4,618 ($41.6) per subscription to share
Fair value at the grant date[(a)]	¥185,000 ($1,666) per subscription to share	¥168,900 ($1,521) per subscription to share	¥188,900 ($1,701) per subscription to share	¥185,300 ($1,669) per subscription to share

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,547 ($40.9) per subscription to share	–	¥4,547 ($40.9) per subscription to share
Fair value at the grant date[(a)]	¥216,400 ($1,949) per subscription to share	¥206,400 ($1,859) per subscription to share	¥345,700 ($3,114) per subscription to share	¥330,600 ($2,978) per subscription to share

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,554 ($41.0) per subscription to share	–	¥4,523 ($40.7) per subscription to share
Fair value at the grant date[(a)]	¥388,500 ($3,500) per subscription to share	¥383,700 ($3,456) per subscription to share	¥533,000 ($4,801) per subscription to share	¥545,500 ($4,914) per subscription to share

	Seventeenth grant	Eighteenth grant	Nineteenth grant	Twentieth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,496 ($40.5) per subscription to share	–	¥4,475 ($40.3) per subscription to share
Fair value at the grant date[(a)]	¥361,300 ($3,254) per subscription to share	¥381,600 ($3,437) per subscription to share	¥369,800 ($3,331) per subscription to share	¥380,800 ($3,430) per subscription to share

	Twenty-first grant	Twenty-second grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	–
Fair value at the grant date[(a)]	¥380,600 ($3,428) per subscription to share	¥380,400 ($3,427) per subscription to share

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

(c) Valuation method for estimating per share fair value of stock options
The valuation method used for valuating fair value of twenty-first grant of subscription rights to shares and twenty-second grant of subscription rights to shares during the fiscal year ended February 28, 2019 is as follows:

Valuation method used
Black-Scholes option-pricing model

Principal parameters and estimation method

	Twenty-first grant	Twenty-second grant
Expected volatility of the underlying stock price(a)	22.38%	22.43%
Remaining expected life of the option(b)	8.42 years	8.44 years
Expected dividends on the stock(c)	¥90 ($0.81) per share	¥90 ($0.81) per share
Risk-free interest rate during the expected option term(d)	0.059%	0.059%

Notes:
(a) The Twenty-first grant is calculated based on the actual stock prices during the eight years and five months from March 9, 2010 to August 3, 2018.
The Twenty-second grant is calculated based on the actual stock prices during the eight years and five months from February 28, 2010 to August 3, 2018.
(b) The remaining expected life of the option was estimated assuming that the options were exercised at the weighted-average period from valuation date to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended February 28, 2019.
(d) Japanese government bond yield corresponding to the remaining 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	Second grant-1
Title and number of grantees	5 directors of Seven Bank, Ltd.	4 directors of Seven Bank, Ltd.
Number of stock options[(a)]	184,000 ordinary shares	171,000 ordinary shares
Grant date	August 12, 2008	August 3, 2009
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 4, 2009 to August 3, 2039

	Second grant-2	Third grant-1
Title and number of grantees	5 executive officers of Seven Bank, Ltd.	5 directors of Seven Bank, Ltd.
Number of stock options(a)	38,000 ordinary shares	423,000 ordinary shares
Grant date	August 3, 2009	August 9, 2010
Exercise condition	(c)	(b)
Intended service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	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 ordinary shares	118,000 ordinary 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 8, 2041	From August 9, 2011 to August 8, 2041

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	7 executive officers of Seven Bank, Ltd.
Number of stock options(a)	363,000 ordinary shares	77,000 ordinary shares
Grant date	August 6, 2012	August 6, 2012
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042

	Sixth grant-1	Sixth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	7 executive officers of Seven Bank, Ltd.
Number of stock options(a)	216,000 ordinary shares	43,000 ordinary shares
Grant date	August 5, 2013	August 5, 2013
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043

	Seventh grant-1	Seventh grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	8 executive officers of Seven Bank, Ltd.
Number of stock options(a)	193,000 ordinary shares	44,000 ordinary shares
Grant date	August 4, 2014	August 4, 2014
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 5, 2014 to August 4, 2044	From August 5, 2014 to August 4, 2044

	Eighth grant-1	Eighth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	9 executive officers of Seven Bank, Ltd.
Number of stock options(a)	138,000 ordinary shares	39,000 ordinary shares
Grant date	August 10, 2015	August 10, 2015
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 11, 2015 to August 10, 2045	From August 11, 2015 to August 10, 2045

	Ninth grant-1	Ninth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	9 executive officers of Seven Bank, Ltd.
Number of stock options(a)	278,000 ordinary shares	72,000 ordinary shares
Grant date	August 8, 2016	August 8, 2016
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 9, 2016 to August 8, 2046	From August 9, 2016 to August 8, 2046

Notes:

(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 their position as a director of Seven Bank, Ltd.

(c) Within 10 days from the day following the day that a subscription holder loses their position as an executive officer of Seven Bank, Ltd.

(b) Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2019. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2019:
Number of stock options

	First grant-1	Second grant-1	Second grant-2	Third grant-1
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	120,000	133,000	9,000	342,000
Vested	–	–	–	–
Exercised	75,000	78,000	–	162,000
Forfeited	–	–	–	–
Outstanding	45,000	55,000	9,000	180,000
	Fourth grant-1	Fourth grant-2	Fifth grant-1	Fifth grant-2
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	356,000	55,000	299,000	40,000
Vested	–	–	–	–
Exercised	169,000	13,000	128,000	10,000
Forfeited	–	–	–	–
Outstanding	187,000	42,000	171,000	30,000
	Sixth grant-1	Sixth grant-2	Seventh grant-1	Seventh grant-2
Before vested:				
As of February 28, 2018	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2018	179,000	20,000	161,000	28,000
Vested	–	–	–	–
Exercised	72,000	5,000	63,000	5,000
Forfeited	–	–	–	–
Outstanding	107,000	15,000	98,000	23,000

	Eighth grant-1	Eighth grant-2	Ninth grant-1	Ninth grant-2
Before vested:				
As of February 28, 2018..........	–	–	–	–
Granted..................................	–	–	–	–
Forfeited................................	–	–	–	–
Vested....................................	–	–	–	–
Outstanding............................	–	–	–	–
After vested:				
As of February 28, 2018..........	115,000	27,000	278,000	72,000
Vested....................................	–	–	–	–
Exercised	45,000	3,000	93,000	15,000
Forfeited................................	–	–	–	–
Outstanding............................	70,000	24,000	185,000	57,000

Price information

	First grant-1	Second grant-1	Second grant-2	Third grant-1
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥348 ($3.1) per subscription to share	¥348 ($3.1) per subscription to share	–	¥348 ($3.1) per subscription to share
Fair value at the grant date[(a)] ...	¥236,480 ($2,130) per subscription to share	¥221,862 ($1,998) per subscription to share	¥221,862 ($1,998) per subscription to share	¥139,824 ($1,259) per subscription to share

	Fourth grant-1	Fourth grant-2	Fifth grant-1	Fifth grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥348 ($3.1) per subscription to share	¥339 ($3.0) per subscription to share	¥348 ($3.1) per subscription to share	¥339 ($3.0) per subscription to share
Fair value at the grant date[(a)] ...	¥127,950 ($1,152) per subscription to share	¥127,950 ($1,152) per subscription to share	¥175,000 ($1,576) per subscription to share	¥175,000 ($1,576) per subscription to share

	Sixth grant-1	Sixth grant-2	Seventh grant-1	Seventh grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥348 ($3.1) per subscription to share	¥339 ($3.0) per subscription to share	¥348 ($3.1) per subscription to share	¥339 ($3.0) per subscription to share
Fair value at the grant date[(a)] ...	¥312,000 ($2,810) per subscription to share	¥312,000 ($2,810) per subscription to share	¥370,000 ($3,333) per subscription to share	¥370,000 ($3,333) per subscription to share

	Eighth grant-1	Eighth grant-2	Ninth grant-1	Ninth grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥348 ($3.1) per subscription to share	¥339 ($3.0) per subscription to share	¥348 ($3.1) per subscription to share	¥346 ($3.1) per subscription to share
Fair value at the grant date[(a)] ...	¥537,000 ($4,837) per subscription to share	¥537,000 ($4,837) per subscription to share	¥302,000 ($2,720) per subscription to share	¥302,000 ($2,720) per subscription to share

Note:

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1,000 ordinary shares of Seven Bank, Ltd.

18. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2017
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥114 million.
As of February 28, 2018
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥95 million.
As of February 28, 2019
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥134 million ($1,207 thousand).

(2) Pledged assets

(a) The amount of assets pledged as collateral by the Companies for their loans from certain financial institutions as of February 28, 2017, 2018 and 2019 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Buildings and structures	¥6,420	¥2,854	¥563	$5,072
Land	4,111	3,537	1,258	11,333
Investments in securities	73,876	59,345	74,135	667,882
Long-term leasehold deposits...........	4,758	4,661	4,564	41,117
Total	¥89,167	¥70,398	¥80,522	$725,423

Debts for the pledged assets above as of February 28, 2017 are as follows: short-term loans, ¥5,200 million; long-term loans (including current portion), ¥9,811 million; and long-term deposits received from tenants and franchised stores, ¥37 million.
Debts for the pledged assets above as of February 28, 2018 are as follows: short-term loans, ¥3,795 million; long-term loans (including current portion), ¥8,739 million; and long-term deposits received from tenants and franchised stores, ¥36 million.
Debts for the pledged assets above as of February 28, 2019 are as follows: long-term loans (including current portion), ¥8,862 million ($79,837 thousand).

(b) The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2017, 2018 and 2019 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Buildings..	¥370	¥348	¥327	$2,945
Land	1,368	1,368	1,331	11,990
Total	¥1,738	¥1,717	¥1,658	$14,936

Debts of affiliates for the pledged assets above as of February 28, 2017, 2018 and 2019 are ¥2,943 million, ¥2,843 million and ¥2,743 million ($24,711 thousand), respectively.

(c) Other

As of February 28, 2017
The amount of assets pledged as collateral for fund transfer and real estate business are ¥2,512 million and ¥55 million, respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million. In addition, ¥232 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.
As of February 28, 2018
The amounts of assets pledged as collateral for fund transfer and real estate business are ¥2,504 million and ¥55 million, respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million. In addition, ¥340 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.
As of February 28, 2019

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥829 million ($7,468 thousand) and ¥400 million ($3,603 thousand), respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million ($495 thousand) and ¥1,335 million ($12,027 thousand), respectively. In addition, ¥452 million ($4,072 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

Some financial subsidiaries conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 28, 2017, 2018 and 2019 is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Credit availability of cash loan business	¥870,462	¥856,256	¥857,286	$7,723,297
Outstanding balance	(42,556)	(45,041)	(44,855)	(404,099)
Unused credit balance	¥827,905	¥811,215	¥812,430	$7,319,189

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering the historical record. Some financial subsidiaries will cease finance services or reduce the credit limit based on the credit situation of customers or other justifiable reasons.

(4) Others

Bonds held by Seven Bank, Ltd.

Seven Bank, Ltd., one of the Company’s consolidated subsidiaries, holds bonds to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These bonds are recorded in “Investments in securities” in the Consolidated Balance Sheets due to its nature of restriction even if they have redemption at maturity less than one year.

19. NOTES AND ACCOUNTS PAYABLE, TRADE FOR FRANCHISED STORES

The balance of notes and accounts payable, trade for franchised stores represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. These two companies centralize all purchasing procedures for merchandise purchased by an individual franchised store and make 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 is included in operating revenues. The franchise commission from franchised stores and net sales of franchised stores are as follows:

Seven-Eleven Japan Co., Ltd.

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Franchise commission from franchised stores	¥723,021	¥743,393	¥773,188	$6,965,657
Net sales of franchised stores	4,409,084	4,575,931	4,795,151	43,199,558

7-Eleven, Inc.

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Franchise commission from franchised stores	¥236,957	¥251,197	¥255,516	$2,301,945
Net sales of franchised stores	1,336,735	1,440,311	1,472,966	13,269,963

(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)
	2017	2018	2019	2019
Buildings and structures	¥1,711	¥934	¥3,427	$30,873
Land	1,591	10,002	6,996	63,027
Others	184	102	1,218	10,972
Total	¥3,487	¥11,038	¥11,642	$104,882

Note: ¥96 million (Buildings and structures), ¥279 million (Land) and ¥0 million (Others) are included in “Gain on sales of property and equipment related to restructuring” in the Consolidated Statement of Income for the year ended February 28, 2017. ¥228 million (Buildings and structures), ¥2,380 million (Land) and ¥54 million (Others) are included in “Gain on sales of property and equipment related to restructuring” in the Consolidated Statement of Income for the year ended February 28, 2018. ¥5 million ($45 thousand) (Buildings and structures) and ¥421 million ($3,792 thousand) (Land) are included in “Gain on sales of property and equipment related to restructuring” in the Consolidated Statement of Income for the year ended February 28, 2019.

(3) Major items included in loss on disposals of property and equipment are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Buildings and structures	¥7,364	¥9,467	¥10,959	$98,729
Furniture, fixtures and equipment	5,025	5,395	3,552	32,000
Others	6,126	5,997	4,462	40,198
Total	¥18,516	¥20,860	¥18,974	$170,936

Note: ¥1 million (Buildings and structures), ¥12 million (Furniture, fixtures and equipment) and ¥133 million (Others) are included in “Restructuring expenses” in the Consolidated Statement of Income for the year ended February 28, 2017. ¥104 million (Buildings and structures), ¥11 million (Furniture, fixtures and equipment) and ¥108 million (Others) are included in “Restructuring expenses” in the Consolidated Statement of Income for the year ended February 28, 2018. ¥18 million ($162 thousand) (Others) are included in “Restructuring expenses” in the Consolidated Statement of Income for the year ended February 28, 2019.

(4) Major items included in selling, general and administrative expenses are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Advertising and decoration expenses	¥160,355	¥136,473	¥134,850	$1,214,864
Salaries and wages	456,239	450,662	473,273	4,263,720
Provision for allowance for bonuses to employees	14,085	14,606	13,809	124,405
Retirement benefit costs	16,009	14,471	12,365	111,396
Legal welfare expenses	61,750	61,857	62,611	564,063
Land and building rent	351,484	360,547	379,510	3,419,009
Depreciation and amortization	198,249	203,694	210,190	1,893,603
Utility expenses	111,427	112,938	118,428	1,066,918
Store maintenance and repair expenses	74,531	74,120	74,264	669,045

21. RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the years ended February 28, 2017, 2018 and 2019 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2017	2018	2019	2019
Impairment loss	¥10,611	¥31,809	¥1,591	$14,333
Gain on transfer from business divestitures	–	(1,090)	–	–
Loss on sales of property and equipment	–	4,200	–	–
Loss on inventory disposal on business closure, etc.	433	3,233	–	–
Store closing losses	7,341	2,451	204	1,837
Early retirement benefit	6,015	403	245	2,207
Others	1,235	1,671	578	5,207
Total	¥25,637	¥42,680	¥2,619	$23,594

22. AMORTIZATION OF GOODWILL

During the fiscal year ended February 28, 2017, the Company recorded the loss on valuation of shares of subsidiaries and affiliates on its non-consolidated financial statements. In consequence, in accordance with Paragraph 32 of “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Practice Committee Statement No.7, November 28, 2014), the Company recorded accelerated amortization of goodwill of ¥39,300 million (mainly ¥33,401 million and ¥5,878 million on Sogo & Seibu Co., Ltd. and Barneys Japan Co., Ltd., respectively) for the fiscal year ended February 28, 2017.

During the fiscal year ended February 28, 2019, the Company recorded the loss on valuation of shares of subsidiaries and affiliates on its non-consolidated financial statements. In consequence, in accordance with Paragraph 32 of “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Practice Committee Statement No.7, February 16, 2018), the Company recorded accelerated amortization of goodwill of

¥3,895 million ($35,090 thousand) on FCTI, Inc. for the fiscal year ended February 28, 2019.

23. BUSINESS COMBINATIONS

There were no significant business combination for the year ended February 28, 2018.
Significant business combination for the year ended February 28, 2017 and 2019 were described as follows:

Fiscal year ended February 28, 2017

(1) Business combination by acquisition

(a) Outline of the business combination
(i) Name and main business of the acquired company
Name: CST Brands, Inc.
Main business: Retail of gasoline and operation of convenience store business in the U.S.

(ii) Main reason for the business combination
7-Eleven, Inc., consolidated subsidiary of the Company, is strengthening its product competitiveness, expanding its store network, and aiming to expand revenues further in North America.

(iii) Date of the business combination
July 7, 2016

(iv) Legal form of the business combination
Acquisition of business

(v) The acquired company's name after the business combination
No change

(vi) Main reason for the decision of the acquiring company
7-Eleven, Inc. received the business with all consideration paid in cash.

(b) Period for which the acquired company's operating results are included in the consolidated financial statements
From July 7, 2016 to December 31, 2016

(c) Acquisition cost of acquired business and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Consideration for acquisition Cash……………………………………..	¥41,694	$412,896
Acquisition cost…………………………………………………………..	¥41,694	$412,896

(d) Details and amounts of main acquisition-related costs
Payment for financial and legal investigation: ¥40 million ($405 thousand)

(e) Amount, reason for recognition, and period and method of amortization of goodwill
(i) Amount of goodwill
¥33,447 million ($331,228 thousand)

(ii) Reason for recognition of goodwill
Expected excess earning power of future business development

(iii) Period and method of amortization of goodwill
20 years using the straight-line method

(f) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥481	$4,766
Non-current assets	8,281	82,013
Total assets	¥8,763	$86,780
Non-current liabilities	¥516	$5,111
Total liabilities	¥516	$5,111

(g) Approximate amounts of effect of the business combination on the Company's consolidated statements of income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year, and the calculation method thereof
Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the July 7, 2016 rate (US$1 = ¥100.98).

(2) Business combination by acquisition

(a) Outline of the business combination
(i) Name and main business of the acquired company
Name: Imperial Oil Limited
Main business: Retail of gasoline and operation of convenience store business in Canada

(ii) Main reason for the business combination
7-Eleven, Inc., consolidated subsidiary of the Company, is strengthening its product competitiveness, expanding its store network, and aiming to expand revenues further in North America.

(iii) Date of the business combination
September 16, 2016

(iv) Legal form of the business combination
Acquisition of business

(v) The acquired company's name after the business combination
No change

(vi) Main reason for the decision of the acquiring company
7-Eleven, Inc. received the business with all consideration paid in cash.

(b) Period for which the acquired company's operating results are included in the consolidated financial statements
From September 16, 2016 to December 31, 2016

(c) Acquisition cost of acquired business and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Consideration for acquisition Cash………………………………	¥68,990	$676,379
Acquisition cost……………………………………………………	¥68,990	$676,379

(d) Details and amounts of main acquisition-related costs
Payment for financial and legal investigation: ¥213 million ($2,093 thousand)

(e) Amount, reason for recognition, and period and method of amortization of goodwill
(i) Amount of goodwill
¥27,836 million ($272,908 thousand)

(ii) Reason for recognition of goodwill
Expected excess earning power of future business development

(iii) Period and method of amortization of goodwill
20 years using the straight-line method

(f) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,345	$13,195
Non-current assets	40,626	398,299
Total assets	¥41,972	$411,495
Current liabilities	¥118	$1,161
Non-current liabilities	700	6,862
Total liabilities	¥818	$8,024

(g) Approximate amounts of effect of the business combination on the Company's consolidated statements of income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year, and the calculation method thereof
Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the September 16, 2016 rate (US$1 = ¥102.00).

Fiscal year ended February 28, 2019

Business combination by acquisition

(a) Outline of the business combination
(i) Name and main business of the acquired company
Name: Sunoco LP
Main business: Operation of fuel wholesale and retail, and convenience store business

(ii) Main reason for the business combination
In accordance with the Medium-Term Management Plan for the Group announced in October 2016, 7-Eleven, Inc. is aiming to achieve average daily merchandise sales per store of $5,000 and 10,000 stores by the fiscal year ending February 29, 2020, and is working to strengthen its merchandizing capabilities and expand its store network. Sunoco LP ("SUN") has a large number of stores in the State of Texas and the eastern area of the United States, where 7-Eleven, Inc. currently operates stores. By acquiring part of SUN's convenience store business and gasoline retail business, 7-Eleven, Inc. will expand its store network and offer greater convenience, while also improving profitability. Regarding the stores acquired, 7-Eleven, Inc. signed a contract to receive gasoline from SUN for the next 15 years.

(iii) Date of the business combination
January 23, 2018

(iv) Legal form of the business combination
Acquisition of business

(v) The acquired company's name after the business combination
No change

(vi) Main reason for the decision of the acquiring company
7-Eleven, Inc. acquired the business with all consideration paid in cash.

(b) Period for which the acquired company's operating results are included in the Consolidated Financial Statements
From January 23, 2018 to December 31, 2018

(c) Acquisition cost of acquired business and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition: Cash	¥359,291	$3,241,530
Acquisition cost	¥359,291	$3,241,530

(d) Details and amounts of main acquisition-related costs
Payment for financial and legal investigation: ¥3,893 million ($35,128 thousand)

(e) Amount, reason for recognition, and period and method of amortization of goodwill
(i) Amount of goodwill
¥154,843 million ($1,397,004 thousand)
The amount of goodwill was determined as the purchase price allocation was completed during the year ended February 28, 2019.

(ii) Reason for recognition of goodwill
Expected excess earning power of future business development

(iii) Period and method of amortization of goodwill
20 years using the straight-line method

(f) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥14,490	$130,729
Non-current assets	203,039	1,831,826
Total assets	¥217,529	$1,962,556
Non-current liabilities	¥13,082	$118,029
Total liabilities	¥13,082	$118,029

(g) Approximate amounts of impact of the business combination on the Consolidated Statements of Income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year, and the calculation method thereof
Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the January 23, 2018 rate (US$1 = ¥110.84).

24. RELATED PARTIES TRANSACTIONS

Fiscal years ended February 28, 2017, 2018 and 2019
No items required to report.

25. 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.

Effective from the fiscal year ended February 28, 2018, changes have been made to the classification of reportable segments. Accordingly, the figures for the fiscal year ended February 28, 2017 have been restated to reflect the segment classification that now exists after the change.

Under the holding company structure, the Company has classified its consolidated subsidiaries into seven segments which are “Domestic convenience store operations,” “Overseas convenience store operations,” “Superstore operations,” “Department store operations,” “Financial services,” “Specialty store operations,” and “Others” according to the nature of products, services and sales operations.

“Domestic convenience store operations” operate a convenience store business comprising directly-managed corporate stores and franchised stores mainly under Seven-Eleven Japan Co., Ltd. “Overseas convenience store operations” operate a convenience store business comprising corporate stores and franchised stores mainly under 7-Eleven, Inc. “Superstore operations” operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. “Department store operations” operate a retail business that provides a various and wide assortment of high-quality merchandise. “Financial services” operate a banking business, credit card business and leasing business. “Specialty store operations” operate a retail business providing highly specialized, distinctively characterized merchandise and services. “Others” operate several businesses including the real estate business.

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

The accounting treatment of each reportable segment is in line with Note 2. “Summary of Significant Accounting Policies.”

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 or loss, assets, liabilities and other monetary items for each reportable segment

Fiscal year ended February 28, 2017

Millions of yen

	Reportable segment									
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	¥899,836	¥1,658,338	¥1,938,093	¥720,199	¥164,432	¥447,210	¥7,577	¥5,835,689	¥—	¥5,835,689
Intersegment	1,470	204	11,219	9,412	37,499	3,277	16,276	79,360	(79,360)	—
Total revenues	¥901,306	¥1,658,542	¥1,949,313	¥729,612	¥201,932	¥450,488	¥23,854	¥5,915,050	¥(79,360)	¥5,835,689
Segment income (loss)	¥243,839	¥67,421	¥20,228	¥2,867	¥50,136	¥(11,276)	¥4,005	¥377,223	¥(12,650)	¥364,573
Segment assets	¥1,063,315	¥1,063,347	¥1,017,447	¥395,702	¥1,425,537	¥167,763	¥155,291	¥5,288,405	¥220,483	¥5,508,888
Segment liabilities (interest-bearing debt)	¥—	¥177,601	¥3,187	¥187,908	¥336,060	¥53,735	¥—	¥758,493	¥289,996	¥1,048,490
Other items:										
Depreciation	¥61,101	¥64,992	¥24,397	¥11,472	¥29,416	¥7,787	¥2,189	¥201,357	¥6,125	¥207,483
Amortization of goodwill	¥—	¥9,249	¥3,121	¥35,162	¥1,306	¥6,617	¥—	¥55,458	¥—	¥55,458
Investment in entities accounted for using the equity method	¥7,348	¥5,912	¥4,816	¥628	¥—	¥12,010	¥4,571	¥35,288	¥—	¥35,288
Impairment loss	¥8,783	¥1,591	¥23,285	¥17,623	¥—	¥7,522	¥913	¥59,719	¥—	¥59,719
Net increase in property and equipment, and intangible assets	¥109,826	¥147,226	¥39,671	¥11,221	¥20,796	¥8,136	¥3,259	¥340,139	¥9,629	¥349,768

Fiscal year ended February 28, 2018

Millions of yen

	Reportable segment									
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	¥927,205	¥1,980,897	¥1,891,260	¥649,353	¥166,664	¥414,287	¥8,146	¥6,037,815	¥—	¥6,037,815
Intersegment	1,443	636	9,903	8,533	36,278	2,329	15,386	74,510	(74,510)	—
Total revenues	¥928,649	¥1,981,533	¥1,901,164	¥657,886	¥202,942	¥416,616	¥23,533	¥6,112,326	¥(74,510)	¥6,037,815
Segment income (loss)	¥245,249	¥79,078	¥21,260	¥5,369	¥49,713	¥435	¥3,670	¥404,778	¥(13,120)	¥391,657
Segment assets	¥1,127,623	¥1,179,292	¥969,194	¥343,269	¥1,434,900	¥161,091	¥156,223	¥5,371,595	¥123,354	¥5,494,950
Segment liabilities (interest-bearing debt)	¥—	¥163,867	¥1,912	¥175,711	¥318,896	¥52,673	¥—	¥713,062	¥269,999	¥983,061
Other items:										
Depreciation	¥66,500	¥69,582	¥23,893	¥9,727	¥28,926	¥5,588	¥2,257	¥206,476	¥6,691	¥213,167
Amortization of goodwill	¥—	¥11,770	¥3,098	¥1	¥1,336	¥413	¥—	¥16,620	¥—	¥16,620
Investment in entities accounted for using the equity method	¥7,174	¥6,492	¥5,183	¥293	¥—	¥12,911	¥4,671	¥36,727	¥—	¥36,727
Impairment loss	¥9,197	¥3,393	¥19,186	¥29,674	¥—	¥5,697	¥3	¥67,152	¥21,727	¥88,879
Net increase in property and equipment, and intangible assets	¥129,116	¥94,285	¥36,037	¥11,755	¥33,013	¥7,716	¥3,571	¥315,497	¥10,529	¥326,026

Fiscal year ended February 28, 2019

Millions of yen

	Reportable segment									
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	¥954,090	¥2,818,899	¥1,893,959	¥585,011	¥177,334	¥353,967	¥7,918	¥6,791,179	¥35	¥6,791,215
Intersegment	1,353	2,154	8,548	7,088	37,673	1,507	15,802	74,129	(74,129)	—
Total revenues	¥955,443	¥2,821,053	¥1,902,507	¥592,100	¥215,007	¥355,474	¥23,720	¥6,865,309	¥(74,093)	¥6,791,215
Segment income (loss)	¥246,721	¥92,266	¥21,173	¥3,737	¥52,874	¥6,680	¥2,659	¥426,112	¥(14,515)	¥411,596
Segment assets	¥1,147,777	¥1,371,383	¥945,528	¥328,162	¥1,515,013	¥133,578	¥159,175	¥5,600,619	¥194,683	¥5,795,302
Segment liabilities (interest-bearing debt)	¥—	¥260,757	¥637	¥163,564	¥354,018	¥44,296	¥—	¥823,274	¥281,914	¥1,105,189
Other items:										
Depreciation	¥72,717	¥76,141	¥24,475	¥8,667	¥31,072	¥4,141	¥2,267	¥219,482	¥1,651	¥221,133
Amortization of goodwill	¥—	¥18,832	¥3,098	¥—	¥4,735	¥413	¥—	¥27,079	¥—	¥27,079
Investment in entities accounted for using the equity method	¥7,393	¥5,761	¥5,597	¥281	¥2,009	¥13,250	¥4,836	¥39,130	¥—	¥39,130
Impairment loss	¥19,500	¥3,435	¥20,349	¥2,994	¥10,756	¥3,888	¥—	¥60,926	¥(3,557)	¥57,368
Net increase in property and equipment, and intangible assets	¥106,297	¥288,221	¥58,233	¥16,245	¥29,263	¥8,801	¥2,889	¥509,953	¥10,070	¥520,024

Fiscal year ended February 28, 2019

Thousands of U.S. dollars (Note 3)

	Reportable segment									
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	$8,595,405	$25,395,486	$17,062,693	$5,270,369	$1,597,603	$3,188,891	$71,333	$61,181,792	$315	$61,182,117
Intersegment	12,189	19,405	77,009	63,855	339,396	13,576	142,360	667,828	(667,828)	—
Total revenues	$8,607,594	$25,414,891	$17,139,702	$5,334,234	$1,937,000	$3,202,468	$213,693	$61,849,630	$(667,504)	$61,182,117
Segment income (loss)	$2,222,711	$831,225	$190,747	$33,666	$476,342	$60,180	$23,954	$3,838,846	$(130,765)	$3,708,072
Segment assets	$10,340,333	$12,354,801	$8,518,270	$2,956,414	$13,648,765	$1,203,405	$1,434,009	$50,456,027	$1,753,900	$52,209,927
Segment liabilities (interest-bearing debt)	$—	$2,349,162	$5,738	$1,473,549	$3,189,351	$399,063	$—	$7,416,882	$2,539,765	$9,956,657
Other items:										
Depreciation	$655,108	$685,954	$220,495	$78,081	$279,927	$37,306	$20,423	$1,977,315	$14,873	$1,992,189
Amortization of goodwill	$—	$169,657	$27,909	$—	$42,657	$3,720	$—	$243,954	$—	$243,954
Investment in entities accounted for using the equity method	$66,603	$51,900	$50,423	$2,531	$18,099	$119,369	$43,567	$352,522	$—	$352,522
Impairment loss	$175,675	$30,945	$183,324	$26,972	$96,900	$35,027	$—	$548,882	$(32,045)	$516,828
Net increase in property and equipment, and intangible assets	$957,630	$2,596,585	$524,621	$146,351	$263,630	$79,288	$26,027	$4,594,171	$90,720	$4,684,900

Notes:

1. The adjustments of ¥(12,650) million, ¥(13,120) million and ¥(14,515) million ($(130,765) thousand) for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 28, 2017, 2018 and 2019, respectively.
2. The adjustments of ¥220,483 million, ¥123,354 million and ¥194,683 million ($1,753,900 thousand) for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended

February 28, 2017, 2018 and 2019, respectively.

3. The adjustments of ¥289,996 million, ¥269,999 million and ¥281,914 million ($2,539,765 thousand) for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2017, 2018 and 2019, 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.
5. ¥10,611 million, ¥31,809 million and ¥1,591 million ($14,333 thousand) out of "Impairment loss" in the tables above are included in "Restructuring expenses" in the Consolidated Statements of Income for the years ended February 28, 2017, 2018 and 2019, respectively.
6. The main cause of the ¥21,727 million adjustment of impairment loss for the fiscal year ended February 28, 2018 was concerning the omni7 software.

(Reference)
Revenues from operations and operating income by geographic area segments are as described below.

Millions of yen

Fiscal year ended February 28, 2017	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥4,032,077	¥1,690,509	¥113,102	¥5,835,689	¥—	¥5,835,689
Intersegment	726	204	372	1,303	(1,303)	—
Total revenues	¥4,032,803	¥1,690,713	¥113,475	¥5,836,992	¥ (1,303)	¥5,835,689
Operating income (loss)	¥299,251	¥65,548	¥ (238)	¥364,561	¥11	¥364,573

Millions of yen

Fiscal year ended February 28, 2018	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,907,066	¥2,016,771	¥113,977	¥6,037,815	¥—	¥6,037,815
Intersegment	768	321	14	1,104	(1,104)	—
Total revenues	¥3,907,835	¥2,017,092	¥113,992	¥6,038,919	¥(1,104)	¥6,037,815
Operating income (loss)	¥314,700	¥75,626	¥1,320	¥391,647	¥10	¥391,657

Millions of yen

Fiscal year ended February 28, 2019	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,811,410	¥2,862,249	¥117,555	¥6,791,215	¥—	¥6,791,215
Intersegment	790	377	—	1,167	(1,167)	—
Total revenues	¥3,812,200	¥2,862,627	¥117,555	¥6,792,382	¥(1,167)	¥6,791,215
Operating income (loss)	¥319,613	¥90,411	¥1,562	¥411,587	¥9	¥411,596

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2019	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$34,337,027	$25,786,027	$1,059,054	$61,182,117	$—	$61,182,117
Intersegment	7,117	3,396	—	10,513	(10,513)	—
Total revenues	$34,344,144	$25,789,432	$1,059,054	$61,192,630	$(10,513)	$61,182,117
Operating income (loss)	$2,879,396	$814,513	$14,072	$3,707,990	$81	$3,708,072

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, etc.

Related Information
Fiscal years ended February 28, 2017, 2018 and 2019

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

Fiscal year ended February 28, 2017

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥4,032,077	¥1,690,509 [¥1,524,804]	¥113,102	¥5,835,689

Fiscal year ended February 28, 2018

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥3,907,066	¥2,016,771 [¥1,751,698]	¥113,977	¥6,037,815

Fiscal year ended February 28, 2019

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥3,811,410	¥2,862,249 [¥2,579,649]	¥117,555	¥6,791,215

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$34,337,027	$25,786,027 [$23,240,081]	$1,059,054	$61,182,117

(2) Property and equipment

Fiscal year ended February 28, 2017

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,433,687	¥571,775 [¥505,194]	¥2,366	¥2,007,829

Fiscal year ended February 28, 2018

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,400,794	¥585,165 [¥519,457]	¥3,494	¥1,989,455

Fiscal year ended February 28, 2019

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,407,274	¥707,211 [¥648,113]	¥4,144	¥2,118,630

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$12,678,144	$6,371,270 [$5,838,855]	$37,333	$19,086,756

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 non-current assets by reportable segment
Information is omitted since it is described in the segment information.

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

Millions of yen

	Reportable segment									
Fiscal year ended February 28, 2017	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consoli-dated total
Goodwill										
Amortization	¥ –	¥9,249	¥3,121	¥35,162	¥1,306	¥6,617	¥ –	¥55,458	¥ –	¥55,458
Balance at the end of year	3,447	222,434	29,444	39	10,700	4,154	–	270,220	–	270,220
Negative goodwill										
Amortization	–	–	23	–	–	4	–	27	–	27
Balance at the end of year	–	–	140	–	–	25	–	165	–	165

Millions of yen

	Reportable segment									
Fiscal year ended February 28, 2018	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consoli-dated total
Goodwill										
Amortization	¥ –	¥11,770	¥3,098	¥1	¥1,336	¥413	¥ –	¥16,620	¥ –	¥16,620
Balance at the end of year	3,295	208,812	26,345	–	9,181	3,736	–	251,371	–	251,371
Negative goodwill										
Amortization	–	–	23	–	–	4	–	27	–	27
Balance at the end of year	–	–	116	–	–	21	–	137	–	137

Millions of yen

Fiscal year ended February 28, 2019	Reportable segment: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consoli-dated total
Goodwill										
Amortization	¥ –	¥18,832	¥3,098	¥ –	¥4,735	¥413	¥ –	¥27,079	¥ –	¥27,079
Balance at the end of year	3,082	337,606	23,246	–	4,340	3,803	–	372,079	–	372,079
Negative goodwill										
Amortization	–	–	23	–	–	4	–	27	–	27
Balance at the end of year	–	–	93	–	–	16	–	110	–	110

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2019	Reportable segment: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consoli-dated total
Goodwill										
Amortization	$ –	$169,657	$27,909	$ –	$42,657	$3,720	$ –	$243,954	$ –	$243,954
Balance at the end of year	27,765	3,041,495	209,423	–	39,099	34,261	–	3,352,063	–	3,352,063
Negative goodwill										
Amortization	–	–	207	–	–	36	–	243	–	243
Balance at the end of year	–	–	837	–	–	144	–	990	–	990

6. Information regarding gain on negative goodwill by reportable segment

None

26. SUBSEQUENT EVENTS

Cash dividend

Subsequent to February 28, 2019, the Company's Board of Directors declared a year-end cash dividend of ¥42,018 million ($378,540 thousand) to be payable on May 24, 2019 to shareholders on record as of February 28, 2019.

The dividend declared was approved by the shareholders at the meeting held on May 23, 2019.

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 28, 2019, 2018 and 2017, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as at February 28, 2019, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2019 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

May 24, 2019
Tokyo, Japan